THE Freeman

IDEAS ON LIBERTY

MAY 1959

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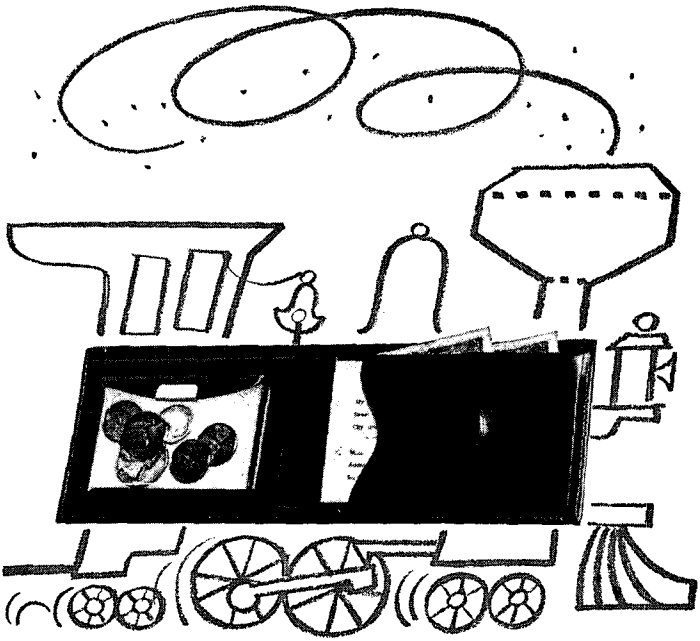

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THE Freeman

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HOW LABOR UNIONS "CAUSE" INFLATION

LEONARD E. READ

And now remains
That we find out the cause of this effect;
Or, rather say, the cause of this defect,
For this effect defective comes by cause.
SHAKESPEARE, Hamlet

LABOR UNIONS "cause" inflation in precisely the same manner as do chambers of commerce, the National Council of Churches, thousands of other organizations, and millions of individuals who call themselves Republicans, Democrats, Socialists, and Communists.

Labor unions, like many influential groups, cause inflation by exercising their power to extend government beyond the point where sound financing is politically possible.

Why should we seek to understand how labor unions cause inflation? In order to see how most of the rest of us cause it! Looking into labor union behavior is like looking into a mirror for millions of us. We may not believe what we see, but it will be an accurate reflection, nonetheless.

It can be truthfully said that *people* cause inflation, but people do many other things besides. Thus, if we would stop inflation, we must know precisely which actions of people bring on inflation and which ones do not. So with labor union practices, we need to know which of these are inflationary. Otherwise, we may be criticizing labor unions on the wrong count while we ourselves innocently follow practices which bring on the very inflation we so stoutly deplore. We cannot hope to stop inflation until we know its causes – and the real causes will elude us as long as we chase after fictitious ones.

Those who blame inflation on the incessant, persistent, coercive drives of labor unions for higher and higher wages are on the wrong track. Such coercion is not to be condoned, but it is not a direct cause of inflation. For instance, if your gardener issues an ultimatum that you pay him $100 a day or else he will quit and forcefully keep any other person from taking his place (the labor union device in principle), you are

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right to condemn his action, but you are wrong to call it a cause of inflation. What you can say is that you may go broke if you give in to his demand, or that he may be unemployed if you refuse. The same results follow, except on a larger scale, when a million gardeners act in the same way through a labor union. Inflation *is not* one of the results of such action, except in an indirect way.

Union Aims and Accomplishments

Like most organizations, labor unions have aims they cannot attain, make claims for deeds they never achieved, and get blamed for sins they never committed. For example, labor unions try to claim credit for raising wages. But, regardless of their claims, unions have had no more to do with the general level of wages than with the general level of the seven seas.[1] They have, it is true, succeeded in obtaining increases for their members at the expense of nonmembers; they have destroyed property and done other damage to their employers; and they have thrown many of their own members into unemployment. But their coercive wage hikes are not the immediate cause of inflation. It's another action of unions which supplies the inflationary spark.

Inflation Defined

Let's dismiss the labor union subject for a moment and examine inflation. What is it? Inflation is merely an increase in the money supply. The *process or act* of diluting the medium of exchange is inflation. Brutally, but nonetheless accurately, inflation is legalized counterfeiting. Inflating the medium of exchange – everything else being equal – will result in higher prices. But the rising price trend itself is not inflation; it is only one of the possible consequences of inflation. It is of supreme importance that we know the difference between cause and effect.

Assigning causation to any result is difficult, at best. My ears are injured. The injury is an effect. What caused the injury? A deafening sound. What caused the sound? Vibrations. What caused the vibrations? Dynamite. What caused the dynamite to explode? And so on. We find that cause underlies cause *ad infinitum*.

Inflation, like the ear injury, is the effect of a sequence of causes that go deeper than we are capable of exploring. However, the cause that immediately underlies the effect – inflation – is plainly

[1]For a confirmation of this fact see *Why Wages Rise* by F. A. Harper. The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

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observable. Inasmuch as government has sole responsibility for our monetary system, *we can easily see that government causes inflation.*

An Opiate Form of Taxation

But what causes government to inflate the money supply? Again, the answer is simple enough: Government meets its costs of operation by taxation. There is no other method. Now, if the costs of government become so high that it is no longer politically expedient to tax by direct levies, an indirect form of taxation will be utilized – inflating the money supply!

In most countries throughout history the direct tax levy has been politically expedient up to a 20 to 25 per cent "take" of the peoples' earned income. After this point, in most instances, the direct levy becomes repugnant to the citizenry and thus politically impossible. The people just won't stand for it any more! What to do? The answer: Inflate the money supply, an opiate form of taxation. At first, it feels good and secures the politicians' popularity. The fact that it assures long-range disaster is a problem for the next generation! Indeed, inflation, as a rule and for a time, is a well-received form of tax. To the economically naive portion of the population it is a way to "have their cake and eat it too." In short, they see inflation as a means of escaping direct governmental levies without giving up the "benefits" of governmentally guaranteed welfare and prosperity.

This particular subcause of inflation can be summarized as follows: Whenever the federal government can collect no more by direct tax levies without risking political suicide, it will print money to pay its bills. The fact that the current procedure involves monetizing the debt through the central banking system doesn't make it a new procedure; it only becomes more difficult to understand. This complex scheme is no different in principle from calling in the coin of the realm and shaving off some of the precious metal – "coin clipping" – as was done of old.

Excessive Government Spending

Very well. We must now examine the next underlying cause. What causes the expenses of government to be so high that they cannot be paid by direct tax levies? Pressure group demand for government handouts, sometimes called "services"! In ideal theory, government is supposed to be the protector of life, liberty, and property. It shouldn't be accessible to any group for largess or

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special privilege. But today, it's open sesame; the bars are down. There isn't a gold standard or any other discernible standard. Indeed, government in the U.S.A. not only invites but insists that its treasury be raided. Spendthrifts and a dangerous number of bureaucrats have become identical twins. Except in a few isolated instances, one no longer hears government officials ask the question, "Where's the money coming from?" Nor do they openly admit, "We'll inflate, print money, to pay the bills." To speak truthfully of such wrongdoing would be to renounce political aspirations, and all politicians know this.

Demands of Pressure Groups

However, government behaves in accord with the thinking of the people who organize it. If they be lax and predatory in their ways, their government will fairly reflect these ways. Therefore, it is the thinking of the people – at least those in positions of leadership – that must be examined if we are to explain this third underlying cause of inflation.

The actions of labor unions are based pretty much on the thinking of their leaders. Their whole philosophy can be summarized by a statement in an AFL-CIO pamphlet (Publication No. 41): "Through their legislative activities, unions have consistently championed measures to improve governmental benefits for various groups of citizens, without regard to whether the beneficiaries are union members or not."

Going through their publications, one finds them supporting more government aid to foreign countries, *government guaranteed full employment,* federal aid to education, more government housing, more compulsory social security, government ownership of power and light facilities, federal aid to so-called distressed areas, and on and on and on.

Labor unions are politically influential. In large measure they get increased federal activity on projects they sponsor. Their coerced and uneconomic wage hikes cause unemployment. Then they use their pressure for government guaranteed full employment which adds billions to the costs of government. It is precisely this successful pressure on government that is the effective subcause of inflation. *This is how labor unions cause inflation!*

In principle, if not in degree, the social action program of the National Council of Churches resembles the labor unions' program – the assumption by government of more and more responsibility for the welfare and prosperity of the people. The National Council

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of Churches is influential. The governmental activities they sponsor cost money. *This is how the N.C.C. causes inflation!*

And, chambers of commerce? Only a few in the whole nation have refrained from running to the federal pap-wagon. Federal aid for roads, hospitals, airports, and so on and on and on. Chambers of commerce are influential. The things they succeed in getting cost money. *This is how chambers of commerce cause inflation!*

Millions of citizens from all walks of life cause inflation in the very same manner. And all of them, along with labor unions, the National Council of Churches, thousands of other organizations, including chambers of commerce, loudly decry inflation and demand that the fire be put out as they add fuel to it!

Why People Act as They Do

We now come to that cause of inflation which is fourth in depth. What causes so many people to act so contrary to their own and the general interest? In short, why do they do things in the political collective they wouldn't think of doing personally?

Who can be certain? The more one studies the problem the harder it seems to pinpoint the exact cause. No less than a dozen occur to me. Economic naivete is one. But what causes otherwise responsible persons to be so inattentive to study and reflection on a matter this serious?

With an enormous evidence all about us that warrants a faith in free men, more and more persons are putting stock in a political apparatus that can do nothing more than take from them, giving back less than it takes. Why this decline in a sense of values?

Much of the world-wide surge into collectivism has rubbed off on our erstwhile free enterprisers. Why this softness among Americans with their reputation for hardheadedness, this caving in to the wiles of political medicine men?

Certainly, there has been an almost total failure to identify the free market, private property, limited government way of life with moral and spiritual ideals. Why this myopia when the moral basis for liberty is so obvious?

There are many other plausible causes. I wonder, however, if all of these wouldn't tend to fade away were more of us to turn our eye inward, looking to an improvement of our own understanding. Admittedly, this doesn't seem as easy as seeking solutions through organizations or by the reforms of others or by waiting for some "leader" to appear. Isn't there a requirement for candor, for an

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integrity of personal conviction – an accurate, open reflection of what the conscience dictates as right – that is not now sufficiently prevalent? Leo Tolstoy suggested what would likely follow the change of emphasis urged here:

> One free man says truthfully what he thinks and feels in the midst of thousands of men who by their words and actions are maintaining the exact opposite. It might be supposed that a man who has spoken out his thoughts sincerely would remain a solitary figure, and yet what more often happens is that all the others, or a large proportion of them, have for long past been thinking and feeling exactly the same, only they do not say so freely. And what was yesterday the new opinion of one man, becomes today the public opinion of the majority. And as soon as this opinion becomes established, at once, gradually, imperceptibly, and irresistibly, men begin to alter their conduct.

Labor unions can cease those collective actions which contribute to inflation, as can chambers of commerce, the National Council of Churches, the Republican and Democratic Parties, and other organizations. However, it is their members acting with intellectual integrity and as self-responsible individuals who can take positive steps to stop inflation. They can refuse to serve their own pressure groups in the advancement of socialism, communism, the Welfare State, and the other robbing-Peter-to-pay-Paul schemes which cause the government to cause inflation. In short, they can stand in defense of individuals – all individuals – in their God-given right to their lives, liberties, and properties. • • •

IDEAS ON LIBERTY

Laxity

INFLATION, and the spirit which nourishes it and accepts it, is merely the monetary aspect of the general decay of law and of respect for law. It requires no special astuteness to realize that the vanishing respect for property is very intimately related to the numbing of respect for the integrity of money and its value. In fact, laxity about property and laxity about money are very closely bound up together; in both cases what is firm, durable, earned, secured, and designed for continuity gives place to what is fragile, fugitive, fleeting, unsure, and ephemeral. And that is not the kind of foundation on which the free society can long remain standing.

PROFESSOR WILHELM ROEPKE, Graduate Institute of International Studies, Geneva, Switzerland

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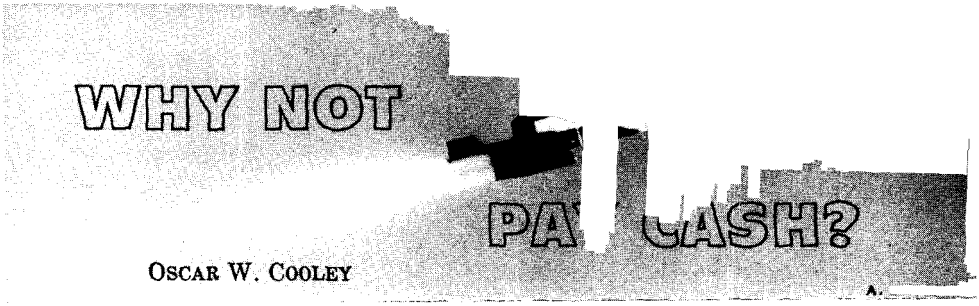

OSCAR W. COOLEY

OFTEN SAID – but never too often – is that the government has naught to spend but what it gets from the people, either directly and forthrightly in taxes or service charges, or indirectly and deviously by manufacturing new money, the value of which is taken out of the money in our pockets.

When the government taxes a dollar from me, I have a dollar less to spend for groceries and the government has a dollar more for missiles. The wealth of the nation has not been increased a farthing.

When the government gets a dollar by printing or otherwise creating it out of nothing, the people's stock of dollars is not reduced but the government's stock is increased. When the government spends this new dollar for missiles, it is plain that now, as in the case when the government gets a dollar by taxation, real wealth – steel, fuel, and the like – is taken out of the stock of civilian goods and put into the stock of military goods. The people's wealth has been reduced, but this time the people have not had to give up their dollar. They still have it. It seems they can have their cake and blow it up at Cape Canaveral, too!

But obviously they cannot. The real wealth represented by the missile is gone just as truly when it is paid for with created money as when it is paid for with tax money.

Some say this is not true when there are unemployed resources, that is, labor, land, and capital. They say that then the government spending of the newly created dollar sets to work otherwise unproductive resources so that the nation's total product is increased. This ignores the fact that the nation's entrepreneurs are continually bidding for the resources, and that if certain resources are at any moment unemployed it is because their owners are holding them for a higher price.

When the government enters the resource market with its abundant, newly created money, it outbids the private entrepreneurs, bidding up the prices of resources.

Mr. Cooley is Associate Professor of Economics at Ohio Northern University.

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The entrepreneurs, unable to afford the higher prices, "lay off" resources, and there is no net increase of employment. In fact, there may be a decrease. It is easy to see and count the resources that the government puts to work, but those that private entrepreneurs lay off are not so apparent.

If government creation of money by "borrowing" from the banks nets the economy nothing, why does Congress insist on spending more money than it taxes from the people? Taxing at least is straightforward and direct and brutal, while this other process is deceptive and devious. Anyone can understand taxing, but not one person in a thousand sees through the sleight-of-hand known as deficit financing.

Taxation Without Representation

Deficit financing and the inflation it engenders is essentially taxation without representation, a fiscal process by which the federal government filches from its people without their authorization, even without their knowledge.

When the government spends more than it currently collects in taxes or voluntary payments, as ours has done almost every year for a quarter of a century, the growing federal debt gives rise to the fiction that the burden has been postponed – passed on to future generations. Even if this were true, how could we in this prosperous era justify shifting our burden to our children? We have no cause to assume that they will be better off than we are – that they will be able to pay not only their own bills but part of ours.

But it is not true. He who thinks a part of the cost of government is being postponed by deficit financing is hoodwinking himself. If one-fourth of the real wealth produced this year is to be consumed by the government, then only three-fourths will be left for consumers, and the pain of giving up that one-fourth will not be alleviated one whit by paying for it with bonds rather than with cash.

Even in wartime, deficit financing makes no sense. When a nation goes to war – assuming that the war is supported by the people – this involves transferring the necessary part of its resources, including manpower, from the production of civilian goods and services to the production of war goods and the fighting of the war. Hence, the consumers must pull in their belts and consume less in order that Mars may consume more.[1]

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[1]For a more complete exposition of the economics of war, see *Human Action* by Ludwig von Mises (New Haven: Yale University Press, 1949), chapter XXXIV.

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Illusions of Postponed Costs

Neither the consumers nor Mars can "borrow" goods and services from future generations; they must get along on what is on hand or produced currently. We did not fight the war of 1941-45 with guns made in the 1950's. We fought the war on a currently balanced budget of goods, but we emerged from the war with a money budget unbalanced to the extent of $275,000,000,000. This debt, which imposed on the American people an interest charge of more than $7,000,000,000 a year *in perpetuity*, did not kill a single Jap or German. The interest, which in effect is paid by the group of Americans known as taxpayers to the group known as bondholders, neither adds to nor subtracts from the nation's wealth. But the debt, having been largely converted into money, has generated inflation to rock the economy in a thousand ways.

If the money needed to pay for the war had been collected from the people currently, this would have reduced their disposable income and its upward pressure on price levels. Hence, neither price ceilings nor rationing would have been required. All the cost of policing the price control edicts, all the evils fostered by "black marketing," would have been avoided.

Some believe that it would have been impossible to collect enough taxes from the people to pay cash for World War II. One of these is Professor William H. Anderson, author of *Taxation and the American Economy* (Prentice-Hall, 1951). However, he admits that the United States paid by taxation only about 41 per cent of its cost of fighting the war, while Canada and Great Britain managed to pay 50 per cent of their war expense by this method; and he adds, on page 533, "We did not approach either our psychological or taxable capacity under war conditions." Others hold that had wartime income taxes been only 10 to 15 per cent higher than they were, there would have been no postwar inflation.[2]

Because the People Object

In the months following the Japanese attack on Pearl Harbor, the American people were fired to a high pitch of determination. To say that they were not willing to pay the cost of whipping the Axis nations – that the war had to be paid for largely by deficit financing – is to accuse the people of not wanting victory enough to pay for it, of being less patriotic than the congressmen who voted the appropriations.

The deficit financing by govern-

[2]See article by W. J. Fellner, *American Economic Review*, March 1947.

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ment implied that the people had to be cajoled into bearing the burden of the battle, had to be assured that a part of that burden was being shifted to the future.

And, indeed, a similar implication may be seen in the continuing peacetime deficits. Congress feels that the Treasury must "borrow" money to pay farm subsidies, veterans' benefits, doles to house builders, foreign aid, and the like, because the people are not willing to supply cash for these purposes. And this time, Congress may be right!

Does Congress Know Best?

Assuming that the people are unwilling to pay, are their representatives warranted in stealing from them? Having found a way to raise money by sleight-of-hand – to rob the people in their sleep, so to speak – our legislators apparently are using this method to finance operations they fear the people would not be willing to support openly and directly. Through Washington's deficit spending, the American people are losing control over their own wealth.

What are the motives of the congressmen? Evidently, they think it their duty to control the economy. They have so indicated in such enactments as the Employment Act of 1946. Only they, it seems, have the wisdom and capacity to manage the nation, which entails spending the nation's wealth. When the people demur, Congress spends anyway and writes it on the cuff. Government deficits are financing a burgeoning socialism.

The people's protests are feeble. Whatever the meaning of the 1958 elections, they certainly were not a rebuff to the spenders. The popular, but mistaken, notion is that a part of the cost of government pap is being shifted to the shoulders of future Americans. The modern desire to get something for nothing – to reap without sowing – is moving the people to countenance successive government deficits during a period when, if ever, they are able to pay cash. Our generation refuses to pay its own bills. We are approaching the nadir of irresponsibility.

William McChesney Martin, Chairman of the Board of Governors of the Federal Reserve System, reports that foreigners are asking: "Since Americans clearly can afford these expenditures (of government) why don't they pay for them? That is, why don't they pay in taxes . . . instead of giving IOU's or simply printing more paper dollars?" As Mr. Martin so well put it, that is indeed "something to think about." • • •

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WHAT RUSSIAN TRADE

HENRY HAZLITT

IN PAST ARTICLES I have called attention to some of the fictions and fallacies in recent hysterical comparisons between Soviet Russia's alleged "rate of economic growth" and our own. But supposedly responsible American publicists, in and out of government, continue not only to swallow the Soviet boasts without adding even a grain of salt, but to draw conclusions that would be flagrantly fallacious even if the boasts were reliable.

One of the latest developments to arouse these viewers-with-alarm has been "the Soviet challenge in foreign trade." In their front-page anxiety about this they are merely acting as megaphones for official communist propaganda, as illustrated, for example, in Mikoyan's statement in Moscow on January 31 in favor of "peaceful competition in cooperation with other countries in developing the economies of the underdeveloped nations," and so forth. Before we ask how "peaceful" this "competition" has been or is likely to be, we may begin by putting the subject in factual perspective. Just how important, relatively, has Russian buying and selling been? How does Russia rank in international trade?

It should not be too difficult to answer that question, at least in approximate terms. The official figures are available. It is merely necessary to have sufficient enterprise and industry (like Alice Widener, for instance, in *U. S. A.* magazine for February 13) to dig them up and interpret them. They are to be found among the 777 pages of the *United Nations Yearbook of International Trade Statistics.*

Soviet "Statistics"

According to the U.S.S.R.'s own official figures, it had total exports of 17.5 billion rubles in 1957 and 15.8 billion of imports. If we accept these figures at face value, the next question is how to convert them into dollars for purposes of comparison. The official rate of

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the ruble is 4 to the dollar. The U.N. tables solemnly convert it at that rate. Even at that rate, we find that the Soviet Union did only 2 per cent of world trade in 1957. And we find that total U.S.S.R. exports to the free world in 1957 (after deducting "trade" with the Russian satellites and Red China) amounted at that rate to only $966 million. This is less than 5 per cent of the total exports of $20.6 billion from the United States in that year.

But the official 4-to-1 rate for the Russian ruble is a flagrant fiction. Foreign-currency dealers in New York will sell you rubles at 25 or more to the dollar and will buy rubles at 50 to the dollar. If we are unkind enough (as Mrs. Widener is) to convert rubles into dollars at a rate of 24 to 1, we bring Russian exports to the free world in 1957 down to a value of only $161 million. This is less than the gross exports in that year of a single American company, like General Electric. If, generously, however, we convert rubles at the official tourist rate of 10 to the dollar, we get total 1957 exports to the free world of $386 million. This is less than the U.S. government spends every two days.

A Negligible Factor

About 73 per cent of Soviet exports go to other communist countries. But even if we convert the U.S.S.R.'s *total* exports in 1957 of 17.5 billion rubles at the tourist rate of 10 to the dollar, we get only $1.8 billion. This is not only less than one-tenth of U.S. exports of $20.6 billion; it is only one-fifth of the 1957 exports of West Germany ($9 billion), and it is about equal to the exports of little Switzerland ($1.6 billion) with a population 1/40th as large as the Soviet Union. And it is by no means certain that a conversion rate of 20 or 25 to 1 for rubles into dollars would not be more realistic than the tourist rate of 10 to 1.

Nor can these ridiculously small exports be attributed to American "discrimination" against Russia since 1947. Soviet Russia has always been a negligible factor in world trade. In 1938, the last full year before World War II, American exports to the Soviet Union were valued at about $70 million, and our imports from the U.S.S.R. in the same year were valued at about $24 million.

Finally, as the Russian satellites and such reluctant victims as Finland have discovered, "trade" is something that Soviet Russia forces on weaker neighbors as a form of tribute or extortion. But that's another story. • • •

Newsweek, February 16, 1959

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THE *Supreme Issue*

THE INDIVIDUAL VERSUS THE STATE

Some suggestions with which to combat the menace of collectivism

WILLIAM HENRY CHAMBERLIN

MORALLY, politically, and economically, the supreme issue of the twentieth century is whether the State is to be the master or the servant of its individual citizens. Liberty is integral. One form of freedom begets another, just as tyranny in one field breeds tyranny in others.

It is no accident that freedom of speech usually goes hand in hand with freedom of trade. And those who try to set "human rights" against "property rights" are committing a gross error. It is where there is no security for property that such human rights as freedom of speech and press and guaranties against arbitrary arrest, execution, and slave labor are most notably absent.

When the State goes beyond its proper functions of maintaining law and order at home and providing protection against foreign aggression, and starts to assume the role of a universal provider and regulator, it never knows when to stop. One arrogation of power leads to another, and the planned economy quickly develops into the totalitarian State.

It has been and still is fashionable among the theorists of collectivism, whether of the communist or fascist type, to sneer at liberty and represent freedom as a luxury which only a rich society can afford. But this is contrary to all the teachings of experience, from early historical times to the present day. There was nothing inherently wealthy about the rough pioneer life of early Americans. Americans were not able to "afford" freedom because they were rich. They became relatively prosperous because they were free, because their institutions – at least, until the high-tax Welfare State became the rule

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at national and state levels – gave maximum scope for the natural human instinct of self-enrichment.

A Century of Progress

A striking proof of the pragmatic value of freedom is the record of the century that elapsed between the end of the Napoleonic Wars and the outbreak of World War I. This was a century when political and economic liberalism (in the old-fashioned sense of that much abused word) marched hand-in-hand. The old fetters which absolute monarchy and feudalism placed on human initiative and enterprise were broken entirely in some countries and very much loosened in others.

And the material results were impressive. There was not a country in the Western world where people were not better fed, better clothed, better schooled, better cared for medically in 1914 than they had been in 1814. This rising standard of living accompanied a very considerable growth of population. The three freedoms of movement that were characteristic of the nineteenth century – freedom for men, goods, and capital to cross frontiers with minimum hindrance – did much to relieve population pressure and to assure the progress of undeveloped parts of the world.

Political institutions varied from country to country. But the trend everywhere was toward more popular participation and consent in the management of public affairs. There were vicissitudes and setbacks, and the swift development of the industrial system created new social problems, along with a vast increase in the wealth of nations. The tragic shots at Serajevo ushered in a new war, bigger and more terrible than those unleashed by the plebeian dictator who harnessed to his war chariot the energies released by the French Revolution; but by and large, the century following the fall of Napoleon was the most progressive in human history.

The progress was evenly distributed all along the line: more people's participation in government, better assurance of basic human rights (this century witnessed the end of slavery in America, of serfdom in Russia), a much wider spread in education without deterioration in quality, and a tremendous display of creative vitality in literature and music.

The Cross of War

World War I placed a bloody cross on the dream of perpetual progress which many in the United States and Europe had shared during the prosperous and relatively peaceful century that pre-

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ceded 1914. (One could list many wars during the nineteenth century; but the total destruction of life and property during these was almost negligible compared with the carnage and destruction that went on from 1914 until 1918.)

Apart from the direct toll in human lives, the psychological effect of World War I was to smash old political and economic patterns to such a degree as to let down the dykes before the fanatic, the demagogue, the adventurer. It unloosed a revolt against liberty which took two forms. There was the outright dictatorship, most formidably developed in the Soviet Union. And in Nazi Germany, a dictator outlawed all political parties except one composed of his own followers, suppressed every voice of dissent, made use of the impact of unlimited propaganda and of the terror of an all-powerful political police, and took over all responsibility for the well-being of his country.

The Age of the Welfare State

In countries with an older and stronger tradition of political liberty, representative institutions, and civil rights, this revolt took a different and subtler form in the creation of the so-called Welfare State. As this has developed in America and other Western countries, it has gone far beyond the provision of care for the indigent and unfortunate. The State has undertaken functions for which it is inherently unsuited, such as protecting a vast variety of individuals and groups against the consequences of their own bad judgment or bad fortune.

Gone are the days when sturdy Grover Cleveland – rejecting a proposal to provide government compensation for farmers whose crops had been damaged by hail – remarked, in substance, that while the people should support the government, the government should not support the people. Now, it is no exaggeration to say that governments in many fields do undertake to support the people, or certain groups of the people. This task is very expensive, requiring taxation on a scale that formerly would have been considered fantastically impossible. It also necessitates far-reaching controls. One is reminded of Alexis de Tocqueville's "immense and tutelary power," which would rob the human race of all initiative and self-reliance, which would labor for their happiness, but choose to be the sole agent and the only arbiter of that happiness, which would "spare them all the care of thinking and all the trouble of living."

In this age of the Welfare State the word liberalism has been dis-

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torted out of any recognizable similarity to the ideals of its Founding Fathers. The British Liberal Party, which gave England so many Prime Ministers before World War I, has shrunk to a tiny remnant, no longer able to hold the balance between Laborites and Conservatives, even after a close election. And even this tiny remnant cannot find a clear solid basis of agreement, some members looking back a little wistfully to the days when liberalism was the creed of economic individualism and others following the new gods of state planning.

In the United States the good ship liberalism has suffered an even sadder fate. It has been boarded and captured by a pirate crew of state interventionists and near-socialists whose two favorite remedies are more state action and more public spending. No one who sympathizes heartily with old-fashioned liberalism could now call himself a liberal in America without inviting the gravest misunderstanding as to what he really believes in.

The "Soviet Experiment"

The Soviet Union, where the combination of political dictatorship and economic collectivism has prevailed consistently despite minor shifts in tactics and policy, has been a false beacon light to leftwingers in America and Western Europe ever since it was established in November 1917. First, there was the view, supported by the tall tales of returning conducted visitors and delegations, that Russia had achieved social advances beyond those of the leading Western countries. This despite the fact that prerevolutionary Russia was an economically retarded country and that humanitarianism was not the characteristic of the Soviet communist leaders.

Gradually the gigantic crimes of Stalinism, the starving of millions of peasants, the slave labor camps, the undiscriminating purges that took the lives of many veteran communists, became better known. Stalin's pact with Hitler was the final psychological blow to many radicals who had sympathized with the "Soviet experiment." The color of the beacon light has changed, although it remains false.

Now, especially since the Soviet rulers tried to take the minds of their subjects off the drab and dreary lives which they lead on earth by hurling huge projectiles into the sky, there has been a widespread campaign to frighten us into believing that the Russians will catch us if we don't watch out and that we must force our rate of industrial growth higher by

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all possible means, including reckless inflationary spending. What is not realized is that Khrushchev, when he boasts of overtaking America by 1970, or any other specific date, is playing an entirely deceptive numbers game.

Statistical vs. Physical Output

What Khrushchev and the gloom-and-doom American commentators who take him seriously are doing is to compare the growth rates of full-blown, highly developed United States industries with those of new-fledged Soviet industries, many of which are producing at a rate which similar industries in America passed in the twenties or earlier. Consider passenger car production, for instance. The last figure on Soviet output was 117,000. Normal American output is five or six million. Suppose the Soviet Union is able to sustain its projected rate of 8 per cent yearly increase, while we go along with about 3 per cent. It does not require much higher mathematics to figure out that no living Russian, or American, will see the day when Russians (apart from top bureaucrats) will be able to live on wheels as Americans do today.

Similar comparisons could be made for housing, plumbing fixtures, and a host of other consumer goods too vast to enumerate. One must also place after Soviet figures of output an indefinite but very substantial discount for defective quality. This point was powerfully brought home to a personal acquaintance, a former journalist who returned to Moscow after an absence of almost twenty years and looked up his old apartment which had been built in the twenties. He discovered that it had simply crumbled to pieces and had been abandoned as uninhabitable — and this in a city where the housing shortage is so desperate that the condemnation of any living space is not rashly undertaken.

Monetary Manipulations

A survey of a few key points in the Soviet economic system shows that the individual is treated as a ward or serf of the omnipotent State, without any of the guaranties of comfort and well-being which are implicit in a free economy. The Soviet ruble, for instance, is simply funny money outside the Soviet frontier; it has no value in international exchange, and will buy nothing, although there is an official rate of four rubles to the dollar, with foreign tourists, as a special concession, getting ten rubles. Both rates are completely arbitrary and have nothing to do with the real value of the ruble.

Not long ago the Soviet govern-

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ment calmly repudiated its whole internal national debt on the somewhat naive ground that interest payments were getting too heavy. By one stroke of the pen, Soviet citizens were robbed of billions of rubles which might have helped them considerably in their years of retirement. But so complete is the Soviet control of all means of public expression that this act was represented as being "at the desire of the people."

On three occasions the Soviet government has completely wiped out or greatly depreciated the value of its currency. The Revolution did for the Russian ruble what the aftermath of World War I did for the German mark: reduced it to worthless paper. The Soviet government next launched a new currency at the nominal value of the prewar ruble, a little less than two to the dollar. This soon became shaky, and collapsed altogether under the inflationary impact of the First Five Year Plan. The ruble was then assigned the new value of five to the dollar; and the dollar itself during this period had been devalued by 40 per cent. After World War II, the Soviet government carried out another currency slash, issuing a brand new ruble that was forcibly exchanged, in many cases, for ten old ones. In view of what has happened to the currency and to the bonds, incentives to save in Russia are, to put it mildly, not strong.

Nor is the individual allowed to buy land or to invest in real property. The Soviet design is to keep him working hard all his life, getting what wages the State, the owner of all sources of employment, may wish to pay and paying prices which the State, the producer of all goods, may wish to charge.

A Modified Form of Slavery

From the cradle to the grave the Soviet citizen is conditioned by propaganda and, through a rigidly authoritarian school system, is assigned or directed or channeled into the work the State thinks he should take up. The horrors of forced labor under Stalin, the worst kind of slavery, have abated. This is not because his successors are more humane than the deceased dictator. But they realize that the former system of overworking and half-starving millions of people in Arctic slave labor camps is too wasteful in manpower for a country that is feeling the effects of tremendous war losses in its present low birth rate. However, large numbers of people, if not actually kept behind barbed wire, are forcibly detained in remote places where they are forced to work at the tasks assigned to them.

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It is a great pity and irony that just when the strength of the United States lies in being as different from the Soviet Union as possible, in adhering firmly to the principles of the free market, consumer free choice, maximum opportunity for the individual, there are voices in this country that use a mistaken fear of Soviet economic competition as an argument for driving us further along the path toward economic statism.

Apart from the threat of military attack, which is a question in itself, the only thing we need fear from the Soviet economic pattern is that we should imitate or adopt it, even in part. Only if and as we maintain in our own lives the historic American principles of individualist opportunity in economics and other fields shall we worthily fill our historic destiny as champions of the principle that the State should be the servant of its citizens, not the master of its subjects. • • •

OBSERVATIONS FROM EUROPE

FREDERICK WALKER

THE ALL-OUT contest between the United States and Russia for military and diplomatic supremacy tends to obscure the fact that the United States holds a commanding lead in the satisfaction of the daily needs of individuals. A visit to Europe, the continent most jeopardized by the American-Soviet battle, reveals to even the most superficial observer the outstanding performance of American business and trade in supplying goods for consumers. American products are displayed and on sale everywhere, with no competition at all from Russia.

It seems that American business, harassed as it is by growing state intervention, is nonetheless able to enter foreign markets with products at an attractive price, while completely state controlled Russian enterprise fails to offer the foreigner anything he wants or needs. The universal existence of American products, and the absence of anything comparable from Russia, surely is a testimonial for the system of enter-

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prise, merit, and price. This is no foreign aid handout at the expense of the American taxpayer but the conquest of markets through products that meet human needs and wants.

The fact that American enterprise can spread throughout the world while the Russians export espionage agents, munitions, and scare headlines suggests that the American economy has something the Soviets lack — namely, freedom. And our national policy ought to stress the why of this success. The testimony exists everywhere in foreign shop windows and on shelves where American products are for sale. Helping the foreign buyer understand why he can buy American foods, drugs, gasoline, and tobacco, while he has never seen anything from the Soviet Union except trouble, would be a step toward sound foreign relations which no amount of foreign aid or State Department propaganda could accomplish. The visual demonstration is already there. Needed is the clear and comprehensive explanation of what it stands for.

Many Americans in recent decades have tended to reject free markets in favor of the restraints of an expanding state. Free enterprise has too long been associated in many minds with the selfish interests of wealthy men and corporations as though they were public enemies; these critics do not see that free enterprise is equally beneficial to everyone concerned.

American foreign policy has tended to stress military might and foreign aid handouts while neglecting to tell the world that America stands first for freedom and its results which supply the needs of people. Reports from abroad indicate that the so-called backward countries are interested in political freedom and a greater participation in the goods of life. America has demonstrated the possibilities, and our exports offer physical proof that we can produce the goods of life in abundance. Russia, on the other hand, offers promises and propaganda but neither the products people want nor the freedom that makes for productivity. And the great pity is that we play down or ignore our actual triumphs and copy Russian diplomatic methods instead, hoping to gain friends through military and astrophysical projects capable of destroying the world.

American enterprise has proven its ability to produce, to enter new markets, to supply needs. But having accomplished all this, we now seem intent on throwing away our greatest strength to take a rocket to the moon ourselves. • • •

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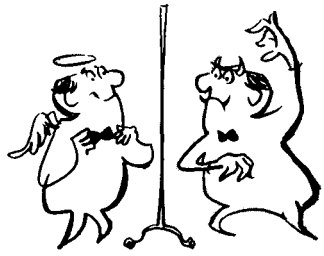

VOLLIE TRIPP

Why those who receive so often turn to bite...

The Helping Hand

HUMAN NATURE often is revealed in jokes, such as the one about the businessman seated in his office, when his excited secretary burst in.

"There's a man here named Bill Simpson, and he says he's come to beat you up!"

"Bill Simpson," reflected the businessman. "That's odd. I can't recall ever doing him a favor."

Whether the businessman got beaten up by his irate visitor, the narrator neglected to say. But we can infer that the man in the office was quite familiar with that strange aspect of human nature which has both puzzled and saddened many others.

What of this perverse trait in human beings that impels people so often to turn against their benefactors? A man who has labored into the twilight of his life on behalf of others, observes without bitterness or regret: "I have always tried to help the underdog. And the underdog has always turned around and bitten me."

Why is this so?

Having been on the receiving end of this kind of reverse gratitude for sundry favors rendered, and having lost a few valued friends through well-meaning efforts to help them, I set about to resolve this interesting phenomenon. Nothing, it seems, takes place without cause.

We should realize, first of all, that every normal person has an instinctive need to think well of himself. He must appear in his own eyes as a fairly satisfactory human being, all things considered. He has no practical way to escape from that clinging, all-pervading self. A contrary view of self, a disparaging view, would be intolerable, and would likely result in insanity or self-destruction. 'Tis well that we cannot "see ourselves as others see us," the old bard

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to the contrary. In fact, psychologists and criminal authorities say even the most depraved refuse to think of themselves as such. In a literal sense, they make excuses for themselves in order to live with themselves.

Now this instinctive inborn need of man to look upon himself with favor, to minimize his faults and magnify his virtues, implies a capacity to meet certain difficulties and challenges imposed by the very act of living. In other words, he *must* believe in himself to this extent. If he did not believe in himself to some extent, it is doubtful that he should ever reach maturity, let alone success.

This being so, we can see that it flatters man not at all to suggest that he is too weak, too stupid, too lazy, to meet life's minimum terms. And, should we force this conclusion on him, woe to us! We have wounded that man in a vital spot. Small wonder, then, that his resentment should be directed at him who offered the insult; at him who has disturbed his favorable view of himself. Help, aid, of whatever sort, must be given, if at all, with the foregoing well in mind.

It should be made quite clear that those partially or totally unable to help themselves, through accident, illness, advanced age, idiocy, or other circumstances beyond their power to remedy, are beyond the scope of these discussions. They must have care, tenderness, and affection, according to their need. Nor need any odium attach to this kind of charity.

It is realized that the line grows faint at times between those who are in need through no fault of their own, and those who are in need as a result of too prolonged and too easy "aid." Perhaps no completely satisfactory delineation between these groups can ever be made.

Admission of Inferiority

But help, aid, assistance of whatever sort, can hardly be administered without running afoul of a fundamental part of man's nature. Those who must accept help, or who think they must (it comes to the same thing), are in consequence obliged to admit a certain inferiority to the helper, in those spheres to which the assistance relates. We should be naive indeed not to expect reactions of resentment, even bitterness, as the victim seeks redress in the only way he knows.

There is a practical way to escape the fury of those receiving wounds to their self-esteem. Experienced philanthropists distribute their alms anonymously. While this technique is useful to those who seek to do good works, it

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probably does not lessen the damage to the recipient. Though deprived of the opportunity to strike directly at the author of his injury, his displeasure is bound to manifest in other ways.

It should be admitted that insult, injury, calumny do not always follow assistance to those in need or trouble. Sometimes the receivers of help are intelligent enough to analyze their deep, primordial feelings, welling up from the fierce mysterious depths of the human ego, drive them away, or banish them from consciousness. At other times, the unfortunate are decent enough to hide whatever feelings of acrimony the acceptance of help may breed. But the type of people most frequently in need of help are seldom able either to analyze their own feelings or to stifle those which urge reprisals upon their benefactors.

Those who have given of their time, money, and strength in behalf of the underdog must have sensed this curious paradox, or seeming paradox, in the behavior of human beings. Few, perhaps, have taken the trouble to try to understand it. Sociologists generally would agree that the best possible way to help anyone is to help him to help himself. The theory is right, but the carrying out poses problems.

All experience bears out the futility, not to mention the danger, of too easy charity to those in need. There is not just the danger that the person so aided will slacken efforts in his own behalf, which is serious enough, but that he will react with savage fury whenever he is caused to lose face in his own estimation. When this happens, as it always has, and always must — when individuals or nations are compelled to make unfavorable comparisons between themselves and others, through accepting help — resentment and pique will follow those primitive drives for vengeance.

No Room for Gratitude

Those who insist on helping others have no right to expect gratitude. Isn't it enough that the helped restrain whatever umbrage may result, in consequence of it? As a matter of fact, this requirement of gratitude, explicit or implied, can only aggravate a relationship which is difficult at best. Perhaps if we could eliminate all such claims on the subject of our largess, we might neutralize some of the irritation with us for our doing of good. With tact and patience we might learn to help people without incurring their open enmity.

Those who would buy friends, not to speak of dependable allies, by such euphemisms as "foreign

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aid," are uninformed both in psychology and in the lessons of history. By our outpouring of wealth into such nations as India, we have accomplished nothing except to point up the vast difference between our economic status and their own. This is like flashing jewels in the face of a starving beggar. These unfortunate peoples have reacted true to form. They despise and hate us. It should surprise no one.

Our popularity as a nation and a people is in reverse ratio to the amount of "help" we have advanced foreign nations. In Canada, where an offer of "aid" would receive the rebuff it deserves, we are treated well, and (I think) generally respected.

Wards of the State

Getting back to the personal level, to the problems of millions of persons whose egos have been deeply hurt by state and federal aid, it must be admitted that many thousands have lost all power to help themselves. The State, having rendered them impotent, will now have to take care of them. But we need not continue this blind waste of human resources.

Perhaps it is going too far to say it is the deliberate, calculated design to soften up the moral fiber of the people by such enervating devices as aid to farmers, grants-in-aid to states, or social security, where the recipients are made to feel they "have it coming" to them. But whatever the true motive, no course could be more effective if it were intended to produce a race of spineless serfs.

By appealing to man's weakness, in a word, making him feel sorry for himself, he is all too easily persuaded that the State, or someone, "owes him a living"; and like an overgrown suckling past weaning time, he will yell to Heaven in defense of his "rights."

But the State, the government, not content merely to seduce the citizen by all manner of unearned bounties, seems determined to force the thrifty and self-respecting into a condition of supine beggardom through its tax on thrift and initiative. The punitive taxes on industry and solvency present increasing difficulties to those who most despise the idea of dependence and all it implies.

True charity must never be confused with subsidized pauperism. Charity and force are as different as fire and water. Real charity, as the Reverend Russell J. Clinchy so well defines it, is "an act of loving all men as brothers because they are sons of God." But neither true charity nor the spurious brand put out by the Welfare State can ever be a satisfactory way of making a living.

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Provisions for Termination

An important requirement of giving help is that it be terminated the moment the "case" is able to do without it. This may require, at times, a little gentle suasion. Indiana has shown us one way this can be done. Publishing the names of those drawing relief checks has helped several thousand Hoosiers get along without any aid. It is safe to say that many of them, pride restored, faith rebuilt, have found gainful and dignified employment once more.

The problem of the poor, the ineffectual, the "underdog," will remain with us always, I fear. There has never been anything even remotely resembling a solution. George Bernard Shaw once proposed to solve it by shooting everyone who didn't make at least 5,000 pounds sterling a year. Others would shoot everyone who did. Though interesting, these witticisms bear but remotely on the matter under discussion: the wrath, active or passive, which usually follows attempts to help those in need.

Once we understand the underlying causes, we will save ourselves much moaning and wailing in self-pity, when having extricated the underdog, he shows his appreciation by rending our flesh. After all, it is but a droll human trait, no more to be assessed against man than many other regrettable limitations.

And since we are going to have to keep right on helping people—some people, anyway – this knowledge of human nature ought to be useful to us. For one thing, we may learn how to assist another with a minimum of "flashback." We may also learn how to parry it when or if it comes.

If we could restore a concept of "aid" in vogue fifty years ago, much good would result. This was the idea, generally accepted, that help was extended with the sole purpose of getting the helped back on his feet and producing as quickly as possible. There existed a tacit understanding between helper and helped on this score. And the helped, fully expecting to regain quickly his former status, helping others in his turn, suffered no galling traumatic injury as he does today.

The Woodpile

One of the homely "institutions" of a bygone time was the woodpile, with quantities of uncut wood, a chopping block, and an ax. Applicants for "aid," sometimes bums, often men honestly seeking work, were habitually referred to the woodpile for a square meal.

It was a point of pride at our house that no man was ever turned

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away hungry, whether or not he elected to pay for his dinner by cutting a few armloads of wood. Indeed, most of them did so gladly. This early version of "trade, not aid" helped the down-and-outer in two ways. It gave him a better appetite, and it left the fellow with ego intact, knowing that he could help himself if he chose. I do not recall that we ever made an enemy by offering a man a chance to work in exchange for a good nourishing farm meal, though many were the kicks in the face from people given outright help.

Certainly the logical plea of debtor nations for "trade, not aid," if heeded, would result in vastly better international relations than can ever be bought with "foreign aid." And we all should benefit by the natural exchange of goods.

The most helpful man in any community is not the man who dispenses the most charity. On the contrary, he is the one who makes any kind of charity or aid unnecessary. He is, if I may say so, the man who gives the most people self-respecting gainful employment. The *least* helpful are those who seek to harass, penalize, and ruin men willing to risk their time and capital in venturesome pursuits.

When we understand better the immense complications of the human soul – when we better appreciate the extreme tenderness of the human psyche – we shall no longer offer a man insults in this clumsy fashion. Nor will we be puzzled and chagrined when he strikes back at his would-be benefactors.

If it were ever true that we grow strong by bearing burdens, it's true today. It follows, and is equally true, that we grow weak and flaccid when our burdens are taken away.

The Downward Path

Satisfying one's compassion for others with the fruits of one's own labor is no easy way to win friends. But a certain way to make enemies is to indulge in political "charity" where the motive is political power instead of compassion and where the donations are forcibly taken from stockpiles other than our own.

To millions, these police-grants-in-aid offer weakness rather than strength, dependence rather than independence, faith, security, and freedom. In the doing, we are hurting man in a tender and vital spot. We insult his pride when we invite him to degrade himself in his own eyes. This cannot continue without the gravest consequences to him as well as to those who render the "aid." • • •

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SOME REFLECTIONS ON FOREIGN AID

ARTHUR B. SPOONER

THIS AFTERNOON, by the warm fire, with the kettle boiling merrily, it is hard to believe we are here. Yet the sound of the witchwoman's drums brings reality to a head. Here in Korea we, as a nation, are not doing the right thing by our friends, the Korean people. Part of the fomenting that is bubbling through the Office of Public Information's placid effulgences comes from the deep awareness among the people that something is wrong. We are giving them too much. That is, we have not given too wisely. Some of our giving reflects a Pollyanna compulsion to "do good." Some of our giving springs out of a fear of being friendless in a jealous world. Some of our giving has its source in a genuine desire to share what we have with others who have so much less, like the GI and the Hershey bar he gives to the shoeshine boy at the gate.

But there is unfolding at our very doors the bitterness of a people who are weary of being always on the receiving end, and yet are not aware of the reason for their own bitterness, sometimes. They are "riding the tiger." They fear to hang on, and they are afraid to drop off. The Tiger is Relief, unrelieved relief . . . endless bales and bundles and machines and money, and endless queues of long-nosed people to administer it all.

The Reverend Mr. Spooner, with The Korea Mission of The Orthodox Presbyterian Church at Pusan, Korea, explains, "We are three missionary families connected with a Korean church that has over 500 churches, 6 Bible institutes, a full-fledged seminary, a 40-bed hospital, a medical clinic, a Christian high school, several night schools, 20 orphanages, 20 leper colony churches, and the beginnings of a publishing company and a liberal arts college. In all of this we are trustees in only two institutions, and we are *given* the right to speak on the floor of the General Assembly by our Korean brothers, but we have no vote; *they do it all* . . . we only help in the pinch. Our mission, as a whole, is seriously considering not handling relief in quantity. We are opposed to the use of government surplus grains and the like as a proselytizing force in missions. Normal gifts from sister churches are excepted. These are not only good sisterly actions, but Scriptural actions, as well. But much of our giving has become . . . productive only of resentment and lack of self-reliance."

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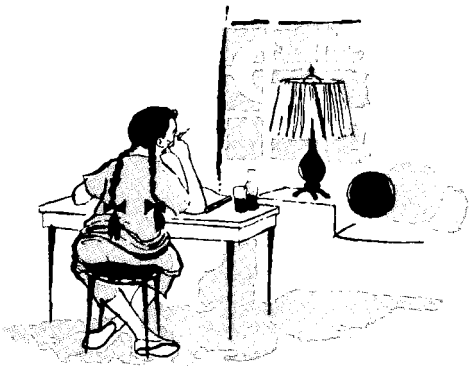

Some reflections on the problem of becoming an individual, as revealed in...

a Child's Diary

ROSE GRIECO

MONDAY:

Mommy looks awfully tired tonight. She really had a time, putting on a play for the Brownies. She worked on it for weeks, and today they finally gave it. Everybody said it was nice, and that Mommy was doing a wonderful job with the Brownies. I'm glad because she spends so much time with them... and talking on the telephone with their mothers, and always trying to find out interesting things for them to do.

On account of the play, we had scrambled eggs again tonight, and Daddy said something about it... and how he thought a man who worked all day certainly ought to get something better than scrambled eggs when he came home... and he was getting awfully tired of it . . . and if she couldn't cook her family a decent dinner, then he'd eat in New York before he came home. Then Mommy started to tell him about the Brownies, and Daddy yelled out, "Your Brownies be damned!" And Mommy gasped because Daddy doesn't use that kind of language. And then they were quiet for the rest of the night.

I hate it when they're quiet.

I was hoping I could start reading *Little Women* tonight . . . but with Mommy and Daddy so quiet, I can't think about anything else. I'll close now because I want to go to bed. Maybe when I fall asleep, I'll forget how quiet it is.

TUESDAY:

I wish I could go to the library today with my best friend, Nancy. But we can't because today is Girls' Day after school. Last week, when I tried *not* going to Girls' Day, Miss Markey, my teacher, called up Mommy and told her I needed more exercise and I should

In addition to free-lance writing, Miss Grieco teaches PTA-sponsored dancing and creative dramatics classes and works with the Recreation Department of Montclair, New Jersey.

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play more with the other children. So Mommy made me promise I'd go to Girls' Day and play games because Miss Markey was so nice to take a special interest in me. We'll have to wait till some Tuesday when it rains and then Nancy and I can go to the library. It's a wonderful place, our library . . . just hundreds and thousands of books and each book is a different world . . . and we can take out as many books as we like . . . all at the same time. Imagine carrying home *five* different worlds under your arm.

It was bacon-and-eggs tonight and Daddy didn't say anything at all. Mommy explained about the meeting she had for the card party so the PTA could buy new draperies for the activities room to make it more cheerful for the Brownies and Scouts when they meet. But Daddy didn't say a word. He finished eating and went to his paper. And it got quiet again.

After a while I couldn't stand the quiet, so I went over and sat on the stool beside Daddy's chair and put my head on his knee. He stopped reading the paper and put his hand on my cheek. When he did that, it felt like the whole world was warm and pink. I put my hand over his, and I didn't mind the quiet anymore. There was something inside me I wanted to say to Daddy, but I wasn't sure just what it was . . . so instead, I held his hand on my cheek . . . and the quiet changed. It wasn't black anymore.

Then Mommy called me into the kitchen to dry the dishes because she had to go to a Board Meeting. When she said she was going to the Board Meeting, she looked at Daddy as if waiting for him to say something . . . but he didn't. When she kissed me good night, she looked so pretty in her new spring hat . . . then she went out without saying anything to Daddy. I wish she had at least said good night to him. I guess Daddy doesn't understand how hard Mommy works at school. That's why she can't cook us a good dinner at night. Why, if she ever dropped out of the PTA, I think the whole thing would collapse . . . because she's over at school almost every day, for one thing or another . . . and what would happen to the school without the PTA?

One time Daddy said that when he was a boy, his mother didn't belong to any PTA and he didn't notice anybody going to the dogs because of it . . . and Mommy explained to him that times have changed and life isn't that simple anymore. And Daddy said it would be a helluva lot simpler if all those women would go on home and just

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look after their own little family. I never saw Mommy look so much like she didn't know what to say . . . after Daddy said that. And because she didn't know what to say, she cried. So I guess tonight when Mommy said she was going to the Board Meeting, maybe Daddy thought she would cry again . . . and so he didn't say anything.

When I finished drying the dishes, I thought maybe I'd start reading *Little Women*. But Daddy asked me if I wanted to play chess with him, and it has been so long since we played a game together, that I just ran to get it. I love playing with Daddy . . . he talks to me softer than anybody in the world . . . and he never tells me what's good for me . . . he just makes me happy. I'm so sick of doing things with children my own age . . . they're all alike, mostly. But there's nobody in the whole wide world like Daddy, and even though he isn't in my "age-group" whenever I'm with him, I feel as though I'm half way to Heaven.

We played for an hour and a half. Daddy smoked his pipe, and the smell that filled the room was just wonderful. I wonder why Mommy doesn't like it. Then I had my bath and when I yelled out good night to Daddy, he came upstairs and we said our prayers together. When we finished, he didn't go back downstairs but sat in the chair next to my bed like he does when I'm sick. It was nice to see his face the last thing before I closed my eyes.

WEDNESDAY:

I love Wednesdays because Wednesday is piano lessons. When I go to Miss Danke's all by myself with nobody around me to bother me with questions and silly talk about boys, I feel just like skipping. Because when I walk alone I get a chance to talk to myself. There are always so many things to do with Scouts and Girls' Day and Dancing School that I hardly ever get a chance to talk to myself. I don't think grownups know much about us eleven-year-olds, because if they did, they'd leave us alone a little more.

Sometimes I feel sad when I see how hard they work for us . . . especially Mommy. I'd like it so much better if Daddy got a good dinner instead, but I don't think I could make Mommy understand. And it *is* nice when my teacher or the principal says to me, "Your mother is a wonderful woman. I don't know what we'd do without her." Only I'd rather hear Daddy say it.

Anyway, I like Miss Danke because she never asks me which music I want to learn, like Mary Lou's teacher does. Miss Danke *tells* me. And the music she

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tells me I have to practice touches something inside me that nothing else in the world does. That's why I like her . . . because I wouldn't know which music could tell me things and which couldn't. But she knows . . . and even though she makes me practice scales, I don't mind. Because after the scales, she lets me play the piece of Beethoven . . . that sounds like the quiet of Mommy and Daddy after we have scrambled eggs for dinner and neither one knows what to say. Maybe next time we have that kind of quiet, I'll play this sad music of Beethoven . . . and the quiet won't be only sad, but beautiful . . . because maybe it's the sad quiet that everybody has and Beethoven found out about it.

THURSDAY:

Nancy and I thought we might go to the library today, but we can't because Mrs. Thorpe, who has a housekeeper to do all her housework, needed something to fill in her time, I guess, so she organized what she calls a Cultural Workshop at school . . . and today she's bringing some woman who's going to talk on music appreciation and we all have to go. We don't really *have* to go . . . I mean nobody will put us in jail if we don't, only our teacher told us that after all the time and effort Mrs. Thorpe is giving to the school, it would be a shame indeed if we didn't cooperate and listen to her guest . . . who was coming out from New York especially to talk to us. So because Mrs. Thorpe is a nice woman and tries to do things for us to keep us "occupied," we'll go.

Later: Mommy helped supervise the children during the talk on music appreciation because to tell the truth, most of the children didn't seem to really care if music is appreciated.

We got home in time for Mommy to cook a steak and heat some French fries and frozen peas. She bought a cheese cake on our way home because she knows both Daddy and I love it. Daddy enjoyed the steak and said so. Mommy smiled and they began to talk . . . nothing very important . . . just nice talk, like some of Chopin's happy music.

As I got into bed, the sound of their voices warmed up the house.

I didn't read *Little Women* again because I got so tired listening to the lady tell us all the things we should listen for in music . . . when really, I wanted to be at the library . . . that I went right to bed after drying the dishes.

FRIDAY:

Today was Dancing School party. I hate Dancing School

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because I can't stand it for boys to put their arms around me. Daddy is the only man I want to hold me... and his brother, my Uncle Jim. Because when they hold me, I know that nothing in the world can harm me. But with the sixth grade boys, it's different. I didn't want to go to Dancing School. I wanted to stay with the class in Creative Dancing because there we did dances to match the music that talked to us. But everybody else goes to Miss Purdy's Dancing School, except Joe Blake ... and when I said I didn't want to go, Mommy had a "conference" with my teacher about it, and I heard Miss Markey use funny words like "antisocial behavior" and it frightened me. And because I wanted her to stop using those ugly words, I said all right, I'd go. And Mommy looked so relieved that it was worth it. And Miss Markey patted my head and said to Mommy that maybe if they cut my braids, it might help me grow out of my "child's world." I said nobody was going to cut my hair until I said so . . . (I've loved my long hair ever since Daddy told me the story of Rapunzel and compared me with the lovely maiden) and that if they cut my hair before I said so, I'd go up to the Pond and drown myself. Miss Markey looked at Mommy for a long time, then she said two more ugly words, "emotionally disturbed." Anyway, I went to Dancing School so Mommy wouldn't have Miss Markey using all those odd words about me . . . and today was the last day of the term . . . so Mrs. Burns, who hasn't "done anything for the children" yet, decided to have us all over to her house for a party after class.

There were quite a few mothers on Mrs. Burns' committee to see that we all had a good time. And since the party went right on till after six o'clock, I wondered how many of *their* husbands were getting scrambled eggs for dinner. When I saw all of Mrs. Burns' beautiful furniture in soft pretty colors, I think I knew why she hadn't "done anything for the children."

Tom Smithers, who always likes to make people laugh, somehow managed to drop his chocolate ice cream on Mrs. Burns' beautiful white circular couch. All the boys laughed and the girls squealed at the top of their lungs. Mrs. Burns came into the room just as Tom Smithers was yelling, "Hey . . . look at my black-and-white soda." And the boys laughed some more. I looked at Mrs. Burns . . . and her lips were quivering. I don't know about anybody else, but I could see just as plain as daylight the tears that were behind Mrs. Burns' eyes. She didn't dare let

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them fall . . . because the other mothers were there, I guess. On our way out, I watched Tom Smithers tell Mrs. Burns what a good time he had and how sorry he was about her couch. And though he said it seriously, I could tell he was laughing.

I tried to start *Little Women* tonight, but I couldn't because I kept seeing Mrs. Burns' trembling lips and the tears that didn't come out.

SATURDAY:

Today we packed a lunch and Mommy is taking our Scout Troop down into the Glen for a picnic. I love the Glen. It's so wild and mysterious . . . and Joe Blake told me the violets are growing like crazy down there. He knows . . . because he played hookey from school yesterday. When I asked him what he did, he said he walked the railroad tracks for a while and then he went into the Glen . . . all by himself. He told me about the violets because he knows I love them. He said he didn't think of it yesterday, but next Tuesday, when he plays hookey again, he'll pick some for me. Joe is the "problem boy" in the sixth grade. But I like him better than anybody in the class, except Nancy. He's the only one who refused to go to Dancing School and got away with it. There are six children in his family. It must be nice to go home to a house full of sisters and brothers.

Miss Markey sent Joe to see the school psychologist, on account of the way he likes to play hookey. Joe said he likes to go see the school psychologist because he gets a kick out of the way Dr. Heyward looks at him. He said he'll probably have to go see him again next Wednesday if he plays hookey on Tuesday. One day Miss Markey told the class we should be kind to Joe because he's "maladjusted." Anyway, Joe still gets the best marks in the class, maladjusted and all, so I guess it can't be as bad as Miss Markey makes it sound.

About the picnic today, Mommy said it was very strange that I wanted to go into the Glen last Sunday afternoon by myself, but that I didn't have a good time with the Scout Troop today. I couldn't help wandering off among the trees, away from the noise and talk of fifteen Girl Scouts, and Mommy kept telling me to stay with the crowd. I don't think she understands that when you're alone in the Glen and the only sounds you hear are the birds and the brook and you take off your shoes and run through the violets, it's like the beginning of the world. I think maybe next Tuesday I'll play hookey with Joe Blake.

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The only trouble is if I play hookey, then I'll be a problem child, too. I don't mind at all being a problem child if it means being like Joe Blake. Only it would hurt Mommy so . . . because she's president of the PTA. Joe doesn't have to worry because his mother doesn't even *belong* to the PTA. She told Mommy over the telephone that the only organization she belongs to is her family. Mommy couldn't make it out . . . but when she told Daddy about it, he said somebody ought to pin a gold medal on Mrs. Blake . . . and Mommy didn't talk to him for the rest of the night. It was like the nights when we have scrambled eggs for dinner.

Tomorrow is Sunday and maybe in the afternoon when Daddy is having his nap and Mommy is talking on the telephone to one of her committees, I can sneak down into the Glen and pick violets. There's nothing in this whole world I'd rather do in the spring than go down into the Glen and listen to the sounds while I pick violets.

Only it's so hard to do . . . the way things are. • • •

IDEAS ON LIBERTY

Selfishness

SELFISHNESS is not living as one wishes to live; it is asking others to live as one wishes to live. And unselfishness is letting other people alone, not interfering with them. Selfishness always aims at creating around it an absolute uniformity of type. Unselfishness recognizes infinite variety of type as a delightful thing, accepts it, acquiesces in it, and enjoys it.

OSCAR WILDE

Education

THE WELL-MEANING PEOPLE who talk of education as if it were a substance distributable by coupon in large or small quantities never exhibit any understanding of the truth that you cannot teach anybody anything that he does not want to learn. If a pupil wants to learn, he is already half-way to learning before he is taught. If he does not want to learn, he cannot be taught, however many years you add to his school life.

GEORGE SAMPSON

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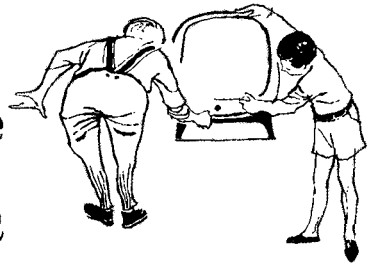
the Ultimate in Unionism



or—A PEEK INTO THE FUTURE

It was a sunny afternoon
At story-telling time.
Old Kaspar chose a fresh cigar
And sipped his rum-and-lime,
While Peterkin and Wilhelmine
Looked at the futurama screen.

They saw a large commercial bank
Beside a busy street;
And men who marched and counter marched,
Like soldiers on a beat,
Or stood in solid, rigid lines
Presenting sandwich boards and signs.

"Now tell us what it's all about,"
The little children cried.
"It is the Robbers' Brotherhood,"
Old Kaspar then replied;
"These men parade with stamp and swank
While other members rob the bank."

"Why don't the Cops arrest them all?"
Asked little Peterkin.
"The Cops belong to unions, too,"
Said Kaspar with a grin;
"They'd rather boil in oil or brine
Than cross a union picket line."

"Then must we let the Robbers go,
To rob another day?"
"The Cops would catch them," Kaspar said,
"If they could find a way;
But union ethics make it clear
A picket line is sacred, dear."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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The Corruption of Union Leadership

SYLVESTER PETRO

COERCION marks the beginning and corruption the conclusion of the march of union power observable in the McClellan Record. The process begins with the use of compulsion to secure members. Thereafter new and different coercive devices are used to bind the unwilling employees to the union. After a union has learned the usefulness of coercion in increasing membership, it falls into the habit of using even more in disputes with employers.

Some trade union leaders hold that any employer who resists their demands is an "enemy of the labor movement" who must be taught a lesson, and, if he continues to resist, must be exterminated. If employees themselves refuse to acquiesce in strikes, if, instead, they exercise their right to continue working during strikes, they are considered traitors, against whom brutal reprisals are not only permissible but praiseworthy.

Law-enforcement officials sometimes stand in the way, however, and it therefore becomes necessary to take care of them, too. Pure bribery is not always the appropriate method here, and often a generous campaign contribution will do as well. If the laws of the land pose an obstacle to the use of union power against traitorous employers and employees, then the laws must be changed, and full-scale political action, largely

The greatest tyranny has the smallest beginnings. From precedents overlooked, from remonstrances despised, from grievances treated with ridicule, from powerless men oppressed with impunity and overbearing men tolerated with complacence, springs the tyrannical usage which generations of wise and good men may hereafter perceive and lament and resist in vain.

THE LONDON TIMES (1845)

Dr. Petro is Professor of Law at New York University School of Law. This article consists of excerpts from his new book, *Power Unlimited: The Corruption of Union Leadership* (New York: The Ronald Press Company, 1959. $5.00. 323 pp.). The book accurately summarizes the McClellan Committee hearings and carries recommendations for the elimination of the special privileges which give trade unions the powers they inevitably abuse.

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financed by membership dues contributed in a substantial degree by workers of differing political views, is the appropriate vehicle of change. Candidates who support the unions' claims of special privileges to coerce and compel get extensive, expensive, and enthusiastic political support; those who insist that the laws of the land should apply to trade unions are marked for extinction. Too often the unions have their way,

KOHLER CO.

although a startling exception here and there indicates that the black night has not yet fallen.

Meanwhile, alongside the structure of traditional unionism, there begins to grow in its shadow a murky pseudo-unionism. A two-stage process is at work. Frequent use of coercion and violence by traditional unions induces their leaders to include on their staffs – alongside college-trained economists – men with criminal records and backgrounds of brutality; if dirty work is to be done, it is just as well to have a person around who has had some experience with it. And the practical privilege to coerce, to extort, to shake down, to compel (such as has accrued to the unions) is precisely what the denizens of the underworld, the professionals of organized crime, have been searching for most avidly, ever since the rich pickings under Prohibition dried up.

If a single picket will harm a business badly enough to make the owner sign up with the union, maybe it will also serve to shake loose some immediate money. In either case the picket line is coercive, and if it is a specially privileged form of coercion in the one case, why not in the other? Thus the professional extortionist discovers a new tool for his trade, and thus too are born "racket-picketing" and its associated shakedown techniques.

Convicted criminals are in the unions then with both feet – as adjuncts to traditional unions, and on their own, cynically using the form of unionism as a cover for their age-old methods of getting

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ahead in the world. The one thing they have never learned is how to work for a living. As union agents and leaders they live very well off the product of those who have learned how to make a living through socially useful work – the businessmen and workingmen of the country.

Although society at large may know very little about all this, it pays the bill – an overwhelming, extortionate, and destructive bill. A shakedown induced by "stranger-picketing" has to be made up by the businessman somehow.

The situation is not made any better by the shrill accusations of the union leaders against businessmen about the high cost of living and unemployment. The plain fact is that no businessman ever *likes* to cut back production. He does so only when he has to. More often than not the union leader has been responsible for pricing union members out of the market. For that he ought to be fired, or law and law enforcement ought to be rigorous enough to keep him from abusing workers, union members, businessmen, and the public.

Special Privilege — Unlimited Power

The point cannot be emphasized enough. The harm done by criminals masquerading as union officials is enormous and filled with the most ominous signs for the future of society. But it is still less than that produced by the power of the traditional unions. They daily coerce and brutally attack workers who decline to join or refuse to participate in strikes. They throw out of work hundreds of thousands of men because of their artificially inflated wage costs. They create irresistible inflationary pressures and compound the evil by encouraging costly and destructive deficit-spending by governments. Through the use of legal and political special privileges, they tie up entire industries into tight monopolies and cartels which abuse the public and threaten the destruction of the free and competitive economy which has always been the American ideal.

This is the panorama of union power. Traditional unions have secured for themselves special privileges which vest in them unlimited power. This power, like any other unlimited power, can only be abused, and it is abused. Violence and economic coercion by themselves create socially harmful conditions, the consequences of which are infinite and unpredictable. Besides, they exert a magnetic force, drawing to the trade unions some of the worst types of criminals, who find there an environment which suits them.

The combination is a destruc-

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tive force which no society can long survive: on the one hand, abuse of the citizenry and impairment of peaceful, progressive, productive activity; on the other hand, dissolution of the moral and political structure. In the special privileges of coercion and compulsion which unions have gained, there breeds a rotten growth which corrupts the whole moral and political structure of society.

The Welfare State Philosophy

The same thinking which is producing the Welfare State has also been largely responsible for the special privileges accorded trade unions. Furthermore, the welfare-state ideology has given the State so many diverse jobs to perform that it can no longer properly perform the basic job for which it was designed. That job was to insure domestic tranquility by protecting honest citizens against thugs and criminals. Proper performance of that basic function requires, obviously, a primary and predominant preoccupation by government with the police force and the administration of justice.

While we expend our substance in granting special privileges and subsidies to the strong pressure groups, encouraging idleness and unproductiveness, we underman our police forces and pay them poorly, so that they have neither the numbers nor the quality of men necessary to do what is, after all, the basic job of civilization: keeping the peace.

While recognizing, then, that Senator Ives had hold of a piece of the truth in observing that the crime disclosed in the McClellan Record is a part of the larger problem of law enforcement created by the welfare-state distortion of the role of government, his view is not on the whole accurate. At least it is not the whole truth if he means to say that there are no independent causes for the prevalence of crime and corruption in trade unions. *It is not the whole truth because it fails to explain why, among all the other private associations of society — the business firms, the bar associations, the medical associations, and the thousands of other private associations in this country — violence, crime, and corruption do not prevail as they do among trade unions.*

Violence, crime, and corruption prevail among trade unions to a degree unmatched in any other private association because trade unions have acquired from society and the law special privileges allowed to no other private association. There is every reason to believe that any other private association accorded the same privi-

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leges would manifest the same characteristics which the McClellan Record discloses in trade unions.

If, for example, businessmen were allowed to compel the purchases of their customers, to assault them when they showed any intention of removing their patronage, and to block access to competitors – there is very little reason to believe that such conduct would not become common business practice, leading to more and more of the same as the selective process wore on in business in the way that it has in trade unions: with the productive and the ingenious giving ground before the thugs, the bullies, and the master strategists of large-scale organized violence.

Businesses compete in a civilized way partly because the law compels them to do so and partly because the law's compulsion has created a selection process which grinds out the thugs and the lawless and advances the able and the industrious. Among trade unions, precisely the contrary process of selection has been going on, with, as might be expected, precisely the contrary results.

Errors in Government

The sources of the special privileges which trade unions enjoy are to be found in the policies and conduct of the federal government over the past thirty years, beginning in 1930 and continuing to this date. The responsibility is nonpartisan, with Republicans and Democrats sharing it, although not in equal proportions. It is distributed in another way. Rather than being confined to one or another of the three branches of the federal government, it is shared, instead, by all three: the legislative branch, the executive branch, and the judicial branch.

Unwise laws have been made worse by the administration and interpretation they have had, while socially beneficial laws have been reduced to impotency by reluctant administration, on the one hand, and dubious interpretation, on the other. Without exonerating Congress from its share of the responsibility, one still must acknowledge in the interests of accuracy that its record is not as defective as that of the other parties: the National Labor Relations Board, representing the executive branch; and the United States Supreme Court, representing the judicial branch.

Accuracy calls for further qualification. There have at all times been on the Supreme Court some justices who resisted valiantly and with great legal ability the errors and excesses of that Court. Again, some of the justices who earlier

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participated in the most dubious decisions of the Court have shown since then that theirs were good-faith errors; and, as all good and learned men will do upon finding themselves in error, they have taken steps toward correction.

It should also be noted that at frequent intervals between 1935 and 1953 there were some members of the NLRB who recognized and dissented from improper decisions of the Board. Moreover, the majority of the Board since 1953 has been guilty of nothing comparable to the outrageous misinterpretations of the Taft-Hartley Act handed down by the majority which prevailed from 1949 to 1953, although the more recent majority has been very slow to correct some and has failed completely to reverse the most serious of its predecessor's misinterpretations.

Whereas the NLRB and the Supreme Court have preponderantly contributed decisions heightening the abusive powers of trade unions and negating the efforts of Congress to reduce such powers, the record of the Federal Circuit Courts of Appeals has been one, preponderantly, of the kind of excellence in legal scholarship, fair-mindedness, and fidelity to law and precedent which is to be expected of all judges. The Circuit Judges, with some exceptions, have neither tried to give trade unions and their officials more privileges than the laws of Congress intended, nor have they negated, except by direct mandate of the Supreme Court, the laws of Congress which were intended to limit abusive and monopolistic trade-union conduct.

Little need be added at this point on the kind of corruption at all levels which we have witnessed in the preceding chapters. . . . But we must bear in mind that moral and political corruption of the varieties recounted there rot integrity at all levels and thus weaken the fiber of society, making it prone to further corruption of a million kinds in a million ways, every day. Nonunion men treated brutally as outlaws and union members as serfs, the infiltration of unions by professional gangsters, extortion from businessmen, bribery and corruption of public officials, the theory that trade unions are *entitled* to special privileges from government – no society can survive much of that for very long.

Destructive Monopoly Powers

All these put together, however, probably do not equal and certainly do not exceed the danger inherent in the necessary course of monopolistic unionism. As much as trade unions may protest their virtue and distort the truth, it is

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the opinion of the most competent economists in this country, and of the greatest economists in the world, that monopolistic trade unionism will destroy any free enterprise system if it is allowed to proceed unchecked. Many of America's ranking economists have come to more or less this same conclusion – Fritz Machlup, Milton Friedman, David McCord Wright, Edward H. Chamberlin, Philip Bradley, Henry C. Simons, and many others of equal ability and disinterested devotion to truth.[1] Their conclusions are shared by economists of unsurpassed international reputation, including Friedrich A. Hayek and Wilhelm Roepke, as well as the man who has in our time achieved the greatest stature of all in the social sciences, in my opinion, Professor Ludwig von Mises.[2]

Steps in the Process

All these men agree, not only as to the fact, but as to the process by means of which trade unions will, if unchecked, bring about the destruction of the free society. First, compulsory membership leading to dictatorial control of all workers; second, through the ensuing monopolistic regimentation of all industry, the securing of wage structures higher than the market will bear; third, in inevitable consequence, drastic and severe unemployment of great numbers of workers; fourth, clamorous insistence that government, through deficit spending, create jobs and other subsidies for the men thrown into unemployment by the union monopolies; fifth, loose money policies by the monetary arm of a government politically committed to "full employment" policies; sixth, a crack-up inflation; seventh, consequent

1. For some of the books in which these men have expressed their conclusions and explained their reasoning, see: Henry C. Simons, *Economic Policy for a Free Society* (Chicago: The University of Chicago Press, 1948), pp. 121 ff.; Fritz Machlup, *The Political Economy of Monopoly* (Baltimore: The Johns Hopkins Press, 1952), pp. 333 ff.; David McCord Wright, editor), *The Impact of the Union* (New York: Harcourt, Brace & Co., Inc., 1951) (containing a paper by Professor Friedman); *Labor Unions and Public Policy* (Washington, D.C.: American Enterprise Association, 1958) (which carries the articles by Professors Chamberlin and Bradley cited elsewhere in this book). See also Charles Lindblom, *Unions and Capitalism* (New Haven: Yale University Press, 1949).

2. One of the chapters of Professor Friedrich A. Hayek's forthcoming book, *The Constitution of Liberty*, is a masterful analysis and summation of the opinion of economists as to the consequences of unlimited union power. Professor Mises' great work is *Human Action* (New Haven: Yale University Press, 1949), although he deals with the destructive tendencies of monopolistic trade-unionism also in *Socialism* (New Haven: Yale University Press, 1951), pp. 457-84.

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mangling of the lives of all those who have attempted to save; eighth, increasing chaos and dislocation; ninth, the rise of vicious demagogues playing upon the confusion, chaos, and dissatisfaction of the populace to secure for themselves dictatorial powers which permit them to apply totalitarian remedies which the Constitution of the United States inhibits; tenth, dissolution into the jungle.[3]

The McClellan Record demonstrates the fundamental culpability of the federal government for the intolerable conditions which exist in labor relations. Attacks on thugs, racketeers, and power-hungry union leaders miss the real point. The real problem, the real fault, lies in a theory of government which insures an awful paradox: a virtual anarchy within a plethora of laws. We have thousands upon thousands of rules and statutes, millions upon millions of government employees. Yet we have no *law*.

Government's Limited Role

The ultimate responsibility falls to the public. But this fact does not absolve the members of the government from all responsibility. It is their job to inform the public that they cannot deal with all the things which the special privilege groups are seeking and still run a decent government in the *general* welfare. Then it is the job of the public to understand that government, like all other human institutions, has very narrow limits. It may be able to do a fair job of providing for the national defense, of keeping the peace, of enforcing the laws, and of administering justice in the courts – if it devotes all its time and energy to those difficult tasks. But it cannot do those things at all, as the McClellan Record so vividly demonstrates, if its energies are expended on every pet project upon which every pressure group from the National Education Association to the National Committee for the Protection of Tropical Fish comes running to Washington for help.

I do not know of any short way to bring about limited and therefore effective government in this country; that will come only when large numbers of people appreciate its value and insist upon it. Yet I am convinced that the jungle, retrogression, and decay are the necessary result of unlimited government, just as they are the necessary result of unlimited power in trade unions. No civilization can long survive unlimited power in any hands. The greatest contribution of the McClellan Committee lies in its overwhelming documentation of that truth.

[3] See Mises, *Socialism*, pp. 457-500.

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E. F. HUTTON

WIRK

JOHN HARTFORD, of the Great Atlantic & Pacific Tea Company, hung a sign on the wall of his office. It read: "Ache and Pain Dept. Wirk."

He said, "I spell 'work' with an 'i' because I'm the only one around here who wirks."

Of course, he was "sorta" joking, because the A. & P. gives jobs to 100,000 folks, and it just couldn't become the greatest food store in the world unless they wirked.

It couldn't have lasted and grown for 100 years without a lot of aches and pains. But they all get cured by wirk.

If Mr. Hartford had lived in Ben Franklin's time, the old philosopher would have put him in *Poor Richard's Almanac*. He'd have told young folks: "If you'd get ahead in the world, put 'i' in your wirk."

A young man, applying for his first job, who doesn't ask when his pension will begin, or how many paid holidays he'll have, and so on, is sure to get and hold a good job.

A golden age is opening up for such young men and women. For they will have less competition than ever before!

The idea today is that you can have wealth without wirk. Just vote yourself rich!

That's what the politicians tell us.

But unless Ben Franklin and John Hartford were completely wrong, we'll find that the output of society can't be greater than the input of wirkers. • • •

Mr. Hutton is the well-known industrialist, investment banker, and author of the column, "Think It Through."

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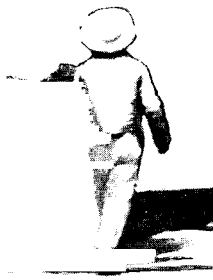
For poor and rich nations alike—



THE WAY TO Economic Progress

GUSTAVO R. VELASCO

PEASE, MONKMEYER

AT PRESENT in economics, there is no subject so popular as the plight of the underdeveloped countries, if one is to judge by the number of studies and books about it.

I am not at all sure, however, that this interest is a healthy one – that it will turn out to be beneficial to the underdeveloped countries. This doubt stems from my belief that, from an economic point of view, underdeveloped countries are fundamentally similar to developed ones. According to my definition, an underdeveloped country is a poor country considered to have a possibility of becoming less poor.

Now, a poor man wishing to make his way up in the economic scale does not have to follow rules different from those followed by a man who is already well-off but wants to become richer. If there is any difference in these rules, it is only that the poor man will have to work harder, to be more careful in his conduct, and to be thriftier.

Similarly, I find that underdeveloped countries are not subject to a set of economic principles different from those to which the advanced countries are subject. The problems of the former are fundamentally similar to those of the latter. Certainly, these problems are very much like those affecting Great Britain, the United States, and France a century and a half or two centuries ago, before the Industrial Revolution took place.

Beyond a Tourist's View

It is by no means my intention to play down the differences of all kinds – economic, political, and social – which exist between Mexico and the United States, for instance. But I believe the scientist should

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Dean of the Free Law School of Mexico, Dr. Velasco is a former president of the Mexican Bankers Association, and founder of the Mexican Institute for Social and Economic Research.

This article, based on remarks at the annual meeting of the Mont Pelerin Society at Princeton University in September 1958, was first published in the November 21, 1958 issue of *U.S.A.* magazine, P. O. Box 134, Lenox Hill Station, New York 21, New York.

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look far deeper than the tourist into the real situation, discerning the similarities as well as the true differences.

To cite a simple illustration: Two years ago, my good friend, Professor Louis Baudin of Paris, France, visited us in Mexico City. As he and I were driving from the airport to a hotel, he saw lines of people waiting to go into movie houses and asked whether we had price control over admission tickets. Indeed, the municipal authorities have imposed a maximum price of $4.00 (32¢ in United States money). Of course, this control has increased the demand for seats. Incidentally, it also forces us Mexicans to travel to the United States to see our movie star Cantinflas in *Around the World in 80 Days*, because this picture cannot be shown in our country at the official price.

There may indeed be a special problem for underdeveloped countries in international politics. But on the economic plane, I believe their problem is a general one and that it applies to all nations, poor and rich alike.

I am loathe to speak in the currently fashionable way of "economic growth" or "economic development" because, as Professor S. Herbert Frankel of Oxford University rightly said in a recent lecture in Mexico City, there is a tendency in our underdeveloped countries to think that our problems will be solved if we grow physically, i.e., if we just build enough new factories or engage in new activities, regardless of whether they will be profitable or whether they are being created artificially through protective duties or subsidies, and thereby in reality decreasing instead of increasing the income and well-being of the people.

I therefore prefer to use the term "economic progress." And if critics assert that this term is neither special nor new, I would reply that this is an advantage and not a disadvantage.

The Fanciful Theories

On concrete grounds, I would say that the similarity between the underdeveloped and advanced nations is made greater by the tendency to follow social and economic theories fashionable at a given moment. Perhaps because the capacity of underdeveloped countries to develop original thinkers is still limited, we imitate the more prosperous nations, not only in their many good features but also in their dubious and even frankly bad ones.

To me, this is conclusive proof that it is not facts, not realities, which determine the actions of men, but rather the ideas which

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they form of things, the theories which they fancifully elaborate in order to guide their conduct and to be supposedly "better off."

Mexican Welfare State

Mexico is beset by each and every one of these fanciful theories. We have the Welfare State. It is growing daily and creating all sorts of difficulties. For instance, there is resistance to a bus fare increase of five *centavos* (two-fifths of a cent in United States money) in Mexico City. The people have become accustomed to not paying for economic goods and services, or to paying less than their cost, so that the inevitable rise in fares becomes a political instead of an economic question. This leads to a very serious political situation because the government, victim of the same mentality, neither speaks out clearly nor acts forcibly.

We have inflation – not yet a hyperinflation such as we had in 1916 when our money system was completely wrecked – but sufficient to have multiplied the money supply by 17 times and to create almost an eight-fold rise in prices during the last 22 years. This inflation (perhaps because we, like the Germans, were once badly burnt) has led to widespread dissatisfaction and to lack of confidence in the Mexican peso.

In our country, we have labor unions with special privileges and exemptions from ordinary legislation. We have corrupt labor leaders, participation of unions in politics, minimum wages, and continuous pressure by unions and government to raise nominal wage rates, supposedly "to improve workers' living conditions" and make "a more just" distribution of national income.

Finally, we have had land reform with the disappearance of the old "haciendas," and the revival of the semicommunal system of land ownership that existed during colonial times. Of course, this tremendous change – I would almost say "upheaval" – resulted in a sharp drop in agricultural production from which we have been emerging only in the last twelve years, but which has left us with a heritage of very difficult problems.

As you can see, underdeveloped countries may be poorer and weaker from an economic point of view than the developed ones, but the painful symptoms from which they suffer are the same, and the disease is the same, no matter whether it is called "interventionism," "statism," or "collectivism."

Middle-of-the-Road Inflation

In the problem of inflation, I would say that we occupy a middle

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position; we are not among the worst offenders. We do not belong within the better group of nations. In spite of this, we have had continuous inflation since 1936, with prices steadily going up although lagging behind the increase in the supply of money according to the official price indices.

Our inflation has sometimes proceeded at a more rapid pace, as it did between 1937 and 1946; sometimes more slowly, as it did between 1946 and 1952 (I cite the years coinciding with the changes of our government administration); or still more slowly, as it has since 1952. Nevertheless, the fact is that we have been unable either to stop inflation or even to approach a rate of "merely 3 per cent a year" which is looked on by some economists as not too harmful.

Worse still, the effects of this long inflation have been cumulative, especially the psychological ones. Although I believe the job can be done, few people think that the trend will be reversed, that prices will cease to rise, and that the government will succeed in preventing another devaluation of the *peso*.

Underlying Causes

Generally and basically, I believe that Mexico has had and still has inflation because it has lived beyond its means. More specifically, I find that the underlying causes of our inflation are:

1. The Welfare State
2. The desire for economic betterment
3. The desire for economic development.

Permit me to comment briefly on the foregoing causes of inflation:

• Our budget, i.e., our traditional budget, has been balanced over the last six years. But outside this budget, we now have dozens of independent establishments and economic agencies providing economic goods or services free or at less than cost. Some of these agencies have deficits because of inefficient management; others must be subsidized to make ends meet; most of these agencies or establishments go in for extensive development and investment plans. In many cases, the Bank of Mexico has had to grant loans or absorb their issues of securities either directly or through a development bank called *Nacional Financiera*. Naturally, it also helps to sustain them by pegging their prices and buying them when offered for sale.

• In relation to the desire for economic betterment, the labor unions exert constant pressure — and so does the government — toward the raising of money wage rates. In Mexico, collective labor

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agreements have to be revised every two years. In general, unions succeed in securing approximately a 15 per cent rise every time. Of course, I do not believe that this is a direct cause of inflation. It is still necessary for the monetary authorities to add to the money supply. But this union pressure has created the climate in which the money authorities have made the increase and have relaxed their measures against credit expansion.

• The desire for economic development does not, I believe, *per se* produce inflation, and it does not have to be accompanied by inflation, as has sometimes been said in our underdeveloped countries. (Incidentally, I must here remark that we in the underdeveloped countries accept all the bad theories propounded in the advanced countries and even add some of our own!) Inflation arises from economic development as the result of a tendency to overinvest, both on the part of the government and of private enterprise. As I pointed out, the building of new plants – whether profitable or not – is confused with real economic progress.

Socialism Creates Inflation

There is a plain connection between the Welfare State and inflation. It is interesting to note that in Mexico they appeared simultaneously, or more exactly, synchronously.

We began to try out socialistic measures in 1935 under President Cardenas. The next year, the budget had a large deficit and the only way to cover it was through an overdraft in the amount that the Bank of Mexico was authorized to lend to the government. Over the years, budget deficits were the most important cause of our inflation. And though during the present Administration, the traditional budget has been balanced, it is a fact that the so-called social and government banks and economic agencies are still being helped by the Bank of Mexico.

Often, discussion of the Welfare State centers around the subjects of social insurance and medical services. However, the concept of the Welfare State, at least as I understand it, embraces much wider subjects. I think we have this admirable scheme (admirable, of course, if the government could be a sort of third-dimensional Santa Claus) whenever the government provides some goods or services free – in whole or in part – or when it forces some members of the community, such as property owners of housing, to provide services and goods free to others, such as tenants.

If this concept is correct, then

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in Mexico we have not only general social insurance and medical services for those persons embraced by the Welfare State (up to now, artisans, domestics, and agricultural workers are not covered by the insurance system), but also a multitude of other *prestations sociales*, as the French say rather elegantly, or of "handouts" as in American slang.

"Welfare" and the Rule of Law

There is a particular point about the Welfare State that I, as a lawyer, am greatly interested in bringing out. I believe that the Welfare State is incompatible with the Rule of Law, or, to use the European expression as it is written in French, with "L'Etat de Droit et le Principe de Legalité."

Unfortunately, in our century, the legal profession and teachers of law have failed miserably – as Professor F. A. Hayek has stressed – in their duty to defend this prized feature of Western Civilization.

I can bear witness to this. Last year, I attended a meeting of the International Association for Juridical Science, held under the auspices of UNESCO at the University of Chicago, which dealt with the Rule of Law. One of the subjects discussed there was "The Welfare State and the Rule of Law." The official conclusion – set forth in a report – was that there is no conflict, no incompatibility, between the two ideas.

Among the distinguished gathering of leading professors of constitutional and administrative law at the UNESCO conference, I was the only one to speak out publicly against the report, though several of the persons present told me privately that they were in agreement with my view. Perhaps I spoke up because, even though I am not an economist, I am proud to be counted among "the ignorant and vociferous minority" – as the delegate from Poland called some economists who, he said, are the only ones to oppose the Welfare State.

Economic Life or Death

It has been said very rightly that free enterprise can take an awful lot of punishment. I believe it was Benedetto Croce who wrote that the spirit of freedom is always reviving and assuming new forms despite all obstacles.

Permit me to point out that a healthy strong man can indulge in a great deal of alcoholism or lead a most dissolute life before the ill effects finally get the better of him; but a frailer man, or an adolescent beginning development, can take no such liberties without suffering immediate bad results.

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Such is the case with the underdeveloped countries. Measures causing only some inconvenience or harm to giants like the United States or Great Britain may well prove fatal for us. The advanced, well-developed countries have more social and political stability, and even stronger traditions, than we, although even in Great Britain, which is the motherland of constitutional government and of the Rule of Law, we have seen the weakening effects of socialism and of the Welfare State.

Need for Good Examples

As a final point in considering the economic progress of our underdeveloped countries, permit me to say that it is up to the developed countries to set good examples for us. Parents should not lead disorderly lives and then blame their children for imitating them.

We have already one bad enough example wherein the State was going to wither away and the people would rise to unheard-of stages of prosperity and happiness. Surely if India has a socialistic development plan and if Egypt expropriates the Suez Canal, it is not solely because of this single bad example.

I am aware that the task before us is a common one, and that it devolves on us all – great or small, developed or undeveloped – to preserve and perfect our civilization. But I also believe that if the greater nations of the West wish to regain their leadership, they must first of all be our spiritual and intellectual guides. They must again believe sincerely and practice wholeheartedly the principles of freedom under which they led the world until a generation ago.

The way to achieve economic progress, for poor and rich nations alike, is to follow the principles of economic freedom. • • •

WHERE THE ROAD *Leads*

The inevitable consequences of Welfare State policies Dr. Velasco described above are further verified in this excerpt from the December 29, 1958 issue of *The Situation in Argentina*, monthly bulletin from the Buenos Aires branch of the First National Bank of Boston.

TO SHOW the downward drift in the economy he [Argentine President Frondizi] pointed out: that money in circulation had risen in ten years from 7,600 million pesos to 70,000 million pesos, while per capita production had remained almost stationary; that during the

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past fifteen years Argentina has spent far more than it earned; that it has omitted to facilitate basic capital investment and allowed indebtedness abroad to rise sharply. At the end of World War II, net gold and exchange reserves stood at 1,300 million dollars while by the end of April foreign debts exceeded gold and exchange reserves by 1,100 million dollars.

He did not vacillate in stating that the country was close to being unable to fulfill its foreign obligations and that the Central Bank has outstanding commitments covering authorized imports which duplicate prevailing reserves equivalent to 104 million dollars. To these must be added 200 million dollars due during the coming year in interest and amortization of foreign credits. Since January 1, 1955, to date, the country has accumulated a foreign trade deficit of 1,000 million dollars.

Referring to the government-owned enterprises, the President confirmed that they are losing untold millions yearly, with the railways alone showing a deficit of 14,000 million pesos on total expenditures of 20,000 million pesos, this without providing for amortizations or replacement of materials. The National Treasury since 1946 has withdrawn money from the National Pension Fund to the extent of 55,000 million pesos, with many of the components presently lacking the means to meet payments.

Bureaucracy has expanded to such an extent that state, municipal, and provincial employees now number 1,800,000 and with dependents total 7,000,000 — out of a total population of 20,250,000. Over 80 per cent of the national revenue is used to pay salaries, leaving no funds for building houses, roads, schools, and even for providing adequate maintenance, while the cities are dark for lack of power. State expenditure amounts to 100,000 million pesos annually, of which barely half is covered by revenue.

The cost of living in ten years has risen over 600 per cent without any growth in productive capacity, creating a steady process of impoverishment. As was the case thirty years ago, the President stated, the country is still dependent on its grain and pastoral industries which, however, are yielding ever smaller exportable surplus. Meanwhile, little was done toward developing petroleum and coal resources, building new sources of electric power production, mineral wealth, and the expansion of steel and other heavy industries. The material and financial resources which could have been used to fulfill these objectives were wasted. • • •

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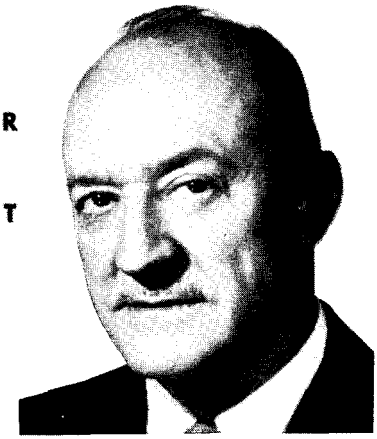
A REVIEWER'S NOTEBOOK

THEY'LL *Never* HEAR THE *End* OF IT

JOHN CHAMBERLAIN



HAZLITT: *His job had to be done.*

FOR ALMOST a full quarter of a century John Maynard Keynes's famous *General Theory of Employment, Interest and Money* has hung heavy over our heads. The "Bible" of people who have certainly never plowed their way through some of its more oppressive chapters, it has bemused the subject of economics with a whole new vocabulary: "failure of demand," "marginal efficiency of capital," "propensity to consume," "liquidity preference," "the multiplier," "aggregate demand," "euthanasia of the rentier." These terms rocket through our economic literature, throwing off dense clouds of inky blackness.

It is not that the terms cannot be defined; the trouble is, as Henry Hazlitt demonstrates with great clarity in his *The Failure of the "New Economics": An Analysis of the Keynesian Fallacies* (Van Nostrand, 457 pp., $7.50. To be published May 10), that the great Lord Keynes fought shy of giving them any precision. He let most of them do duty for a variety of things, some of them highly contradictory. But when he came to putting his words into the algebraic formulae that have become so fashionable in economics since the time of Stanley Jevons, he assumed they could be translated into precise entities. Like the "expert" who figured in the late Benjamin Stolberg's comic story, Keynes had a habit of never pausing on his way as he swept forward with inexorable logic from the initial error to the grand fallacy of the conclusion.

To review in small space Mr. Hazlitt's demolition of the whole Keynesian structure is a physical impossibility. Mr. Hazlitt takes up the *General Theory* line by line and paragraph by paragraph, dis-

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covering scores of errors on almost every page. Not only does he kill Keynes; he cuts the corpse up into little pieces and stamps each little piece into the earth. The performance is awe-inspiring, masterly, irrefutable – and a little grisly. At times one almost feels sorry for the victim. But, since Keynesian doctrines have created so much misery in the world, any sympathy is misplaced. Hazlitt's job had to be done.

As Hazlitt indicates, Keynes considered that Say's Law of Markets – the law or theory that production creates its own purchasing power – did not hold true, especially in a complex modern society. But, again as Hazlitt says, the Law is in itself merely a truism. If goods exchange for goods, it is obvious on the face of things that the creation of a good puts something into circulation that can be traded for something else. The creation of the good does not necessarily guarantee its creator a profit. But, unless the good is burned or dumped into the sea or seized by the government or stored away in a cave to rot, *it is and must be purchasing power.*

So what was Keynes talking about when he made "failure of demand" the keystone of the "new economics"? As Hazlitt makes plain, Keynes had to assume his conclusions despite the evidence of his own senses. In parts of the *General Theory*, Keynes accepts the classical truth that savings and investment are two faces of the same coin. But, to arrive at his "failure of demand" postulate, Keynes had in other parts of the *General Theory* to assume that savings did not flow into investment when "liquidity preference" was rampant. The limited amount of truth in the Keynesian formulations is that the time lags that are attendant upon the swings of the business cycle create momentary imbalances. But, when the economic system is free, the imbalances give way to new swings toward equilibrium. With his bias toward authoritarianism, Keynes did not like to watch people working their way out of temporary difficulties by use of their own wills, brains, and emotional drives. An aristocrat at heart, he wanted to assign the common people – Veblen's "underlying population" – their duties and tasks as well as their pleasures.

The Autocratic Nature of Keynes

Again and again Hazlitt pauses amid his purely technical refutations of Keynes to observe the hand of the autocrat in the *General Theory*. Keynes proposed to correct the "failure of demand" by artificial stimulation of the "pro-

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pensity to consume." Capital must be put to work by edict, even when it had no "marginal efficiency." Demand and consumption must be "multiplied" by "government investment" (a high-toned phrase for inflation or for tax-and-spend give-aways), until "aggregate demand" had created "full employment." It would not matter if private ownership were snuffed out by the continuation of such policies – the "rentier" could be left quietly to die as his capital and its concomitant income disappeared.

Keynes, says Hazlitt, is the Karl Marx of the twentieth century. His economics is demagogic – it gets its vast influence, its "dynamism," from its sly incitement to the mob to snuff out all creditors. In Keynes the money lender has replaced the capitalist as the villain.

The Keynesian appeal to demagogic passions chimes in with the contentions of certain labor leaders, that high wages are necessary to sustain "purchasing power" regardless of their relation to man-machine productivity. The Keynesian system makes no allowance for wage cuts in industries which have seen their markets shrink because of the cost-price squeeze on the customer. Although Keynes knew very well that almost all costs, in the last analysis, are labor costs, he never dared mention the possibility that a downward revision of wages in certain industries might result in an increase in the real purchasing power of labor and in a forward movement toward the full employment of all available labor. Any such admission would have left Keynes without political influence on the Left. And it was such influence, rather than a reputation for scientific accuracy, that Keynes most prized.

"Aggregates" vs. Individuals

A basic trouble with Keynes, says Hazlitt, is that he had reverted to "block" or "lump" thinking. Despite his assumed modernity, his habit of considering himself part of *le dernier cri* among the fashionable Bohemians of Bloomsbury, he was a man of the seventeenth century, a mercantilist, in all of his preconceptions. When he wrote of wages, he forgot that wage payments are individual before they are parts of an average or a "level." He could not conceive of a situation in which the wages in one industry might be too high at the same time that wages in another industry, or sector of the economy, might be too low or too mixed. Because of his accent on "aggregates," he thought of national purchasing power as a lump.

Taking off from the Keynesian

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concept of "aggregative" economics, the political disciples of the Great Man have fallen into the error of supposing that anything which stimulates "aggregate demand" must add something of value to the Gross National Product. Accordingly, the manipulators of the GNP and the "national income" propose to subsidize all sorts of moribund or marginal industries and regions on the theory that this constitutes economic progress. If the construction industry is in the doldrums, why, the way to a sumptuous "national income" is to pour government money into cheap housing. If the farms of Appalachia or the Ozarks are struggling along at the same time that rich farmers in Nebraska aren't making quite what they would like to make, why, the way to a maximized GNP is to pour "lump" money into agriculture.

It does not matter to Keynesian "block" thinkers that this is primarily a way of subsidizing backwardness and, at the same time, of choking off the possible emergence of new "ladder" industries, such as the automobile industry once was. If there had been Keynesians around in Henry Ford's day, they would have poured "lump" money into the carriage business and they would have subsidized the blacksmiths. Quite probably they would have choked off much of the experimentation that has resulted in the modern automobile and the modern highway system.

Hazlitt's book is a joyful paradox in that it successfully combines a number of ways of looking at Keynes and Keynesianism. It exposes Keynes's fallacies in broad stroke, as though Hazlitt were looking at a mountain range through a telescope. But it also exposes the fallacies microscopically. As a by-product of his inquest, Hazlitt provides us with a beautiful series of essays on the uses, the abuses, and the limitations of mathematical economics. The book is ponderous in its scope, but it is witty in its detail. Because of its technical nature it will probably never sell in the hundreds of thousands. But the Keynesians will never hear the end of it. • • •

We the People: The Economic Origins of the Constitution.

By Forrest McDonald. Chicago: University of Chicago Press. 436 pp. $7.00.

THIS BOOK could be described simply as a scholarly evaluation of Charles Beard's famous thesis of the economic origin of the Constitution. But viewed in its broad

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implications, it may be regarded as a refutation, deserving to be cited often, of the general concept of economic determinism.

The publication in 1913 of Beard's *An Economic Interpretation of the Constitution of the United States* touched off a *cause célèbre* in American education. The author, an associate professor of politics in Columbia University, filled with zeal for the new doctrine that men's attitudes are simple reflections of their economic interests, tried to account in those terms for the framing of our Constitution. The resulting shock was so great that it led eventually to his departure from the faculty of Columbia and his adopting the role of free-lance historian for the remainder of his life. Beard lived to reverse his views on the matter in his *Basic History of the United States* (1944), and now Professor McDonald provides unassailable proof that Beard's original position is untenable.

Beard's argument was, in brief outline, that the movement for the Constitution and the ensuing battles over its ratification were an economic class struggle. As it came to be written, then, the Constitution was "an economic document drawn with superb skill by men whose property interests were immediately at stake; and as such it appealed directly and unerringly to identical interests in the country at large." The impulse behind its adoption was the fact that "important groups of economic interests were adversely affected by the system of government under the Articles of Confederation, namely those of public securities, shipping and manufacturing, money at interest, in short, capital as opposed to land."

Accordingly, the entire campaign for the Constitution was begun and pushed forward by "a small and active group of men immediately interested through their personal possessions in the outcome of their labors.... The propertyless masses were...excluded at the outset from participation (through representatives) in the work of framing the Constitution. The members of the Philadelphia Convention which drafted the Constitution were, with a few exceptions, immediately, directly, and personally interested in, and derived economic advantage from, the establishment of the new system."

The amount of labor which Professor McDonald performed in order to determine whether these assertions have any basis in fact was evidently enormous. First, he analyzed the delegates elected to the Philadelphia Convention with reference to the areas from which

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they came and the political factions with which they were identified in their home states. Next, he investigated the economic circumstances of every one of the fifty-five delegates who actually attended to determine whether, and in what sense, they were men of property. Next, he analyzed their conduct in the Convention to see whether there was any correlation between their economic interests and their attitude toward the new system of government which was being drawn up. Finally, he studied the battle over ratification in every one of the thirteen states to determine whether any inferences can be drawn regarding the economic status of those elements opposing and those favoring ratification.

His conclusion is what every man of sense would have anticipated. There is hardly a shred of evidence for Beard's thesis to rest upon; it was all spun out of a theoretical prejudice in favor of economic determinism. But let Professor McDonald announce the finding in his own words: "Beard's thesis – that the line of cleavage as regards the Constitution was between substantial personalty interests on the one hand and small farmer and debtor interests on the other – is entirely incompatible with the facts."

Here is a sampling of the facts which his research uncovered. Let us bear in mind that Beard had represented the Constitution as a kind of capitalist "plot" against farmers and debtors. "Five of the men who either refused to sign the finished Constitution or who walked out of the Convention (Gerry, Randolph, Mercer, Lansing, and Luther Martin) were among the largest holders of securities in the Convention. Had they sold their securities in Philadelphia as the Convention opened, the proceeds would have been sufficient to buy all the securities owned by forty-five of the remaining fifty delegates."

Delaware was the first state to ratify, the vote being 30-0. Its convention was largely made up of small farmers, of whom sixteen had annual incomes between $40 and $267. Only five of the thirty held public securities.

New Jersey was the next to ratify, and it also voted unanimously. "The convention was a fairly representative cross section of the economy of the state." About twenty-five of its thirty-eight members were farmers and landowners.

Pennsylvania was one of the states in which there was sharp conflict over ratification. The investigation showed that the delegates on both sides of the issue held about the same amounts of

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the same kinds of property. The slight difference was that the anti-Federalists were a little *better* endowed with personalty, especially public securities, than proponents of the Constitution. That is, of course, the exact opposite of what Beard would have had us believe.

The conflict in the critical state of Virginia was a fierce one. But here, too, the author's data tell the same tale. For in this state "the property holdings of ratificationists and antiratificationists were virtually identical, except that more small farmers from the interior supported ratification than opposed it." To this he adds the telling item that "if there was a debtors' faction in Virginia, it was largely identical in personnel with the proratificationist group."

The great state of New York came as near as anything to rejecting the Constitution, the final vote being 30-27. There, the struggle over ratification was a complicated and bitter affair between two distinct parties, one led by Governor George Clinton and the other by Hamilton and John Jay. But their respective positions cannot be explained in terms of the Beard thesis of economic cleavage. "In the showdown over ratification neither party to the conflict had a monopoly of economic interest of any kind. . . . The ranks of both parties included approximately equal numbers of large and small landholders and speculators in various forms of property." Beard had argued that in New York the struggle was a clear one between security holders (Federalists) and advocates of paper money (anti-Federalists). But Professor McDonald's research shows that in this state "security holders" and "paper money advocates" are but two names for the same group of people.

There remains the general question of whether the American people at this time can be grouped into any significant categories with reference to their enthusiasm for or against the Constitution.

In attempting to answer this, Professor McDonald divides the states themselves into three groups: those favorable to the Constitution (Delaware, New Jersey, Georgia, Connecticut, and Maryland), those divided over the Constitution (Pennsylvania, Massachusetts, South Carolina, and New Hampshire), and those more

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or less opposed to the Constitution (New York, Virginia, North Carolina, and Rhode Island).

The only thing that can be deduced from this comparison is that those states which wanted the Constitution were states which were not able to cope with their own problems, those which were divided on the issue were states which felt somewhat more able to do so, and those which opposed it were states which felt that they were getting along well enough as sovereign entities.

But these feelings themselves depended on a great variety of factors. Delaware felt that she was simply too small to go it alone. Georgia felt unable to cope with the Indian menace on her frontier. New York might have gone it alone had not the City of New York threatened to secede. North Carolina, economically and culturally the most isolated of the thirteen, seems to have proceeded out of a general indifference.

So it comes down to this: the states were eager to ratify according to whether or not they felt a need for national union. The role of economic interests remains indefinite, indecisive, and unpredictable.

It is to be hoped that this painstaking piece of scholarship will contribute much toward exploding the theory that human beings act and vote merely according to their anticipations of economic gain. The sensible part of mankind has never embraced anything so narrow and unrealistic. Historians can thus provide important help to philosophers and others in re-educating people to know that "economic man" really doesn't exist. Man acts sometimes selfishly, sometimes unselfishly, but more often out of varying combinations of these motives. This means that man is a free agent in a sense no economic determinist would allow, and in that fact lie our challenge and our hope. RICHARD M. WEAVER

WHY LIBERTY?

A MAN who can ask the right questions, observes Plato somewhere, has thereby obtained nine-tenths of his answer already. Such is certainly the case in this matter of liberty. For centuries men persisted in asking the wrong questions. "Who," they queried, "will set us free?" Or, "Who will give us freedom?" Invariably they got the wrong answers. Freedom, it is implied by these questions, is a prerogative to be pried away from some earthly sovereign; or, alternatively, freedom is to be established merely be replacing the old authorities with new ones.

It was only with the gradual

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dawning of the belief that men participate in the divine rationality and are endowed with free will that they began to ask the right questions about liberty. When men believe they have inner freedom, they will demand that it be matched by outer liberty as a natural condition essential to the working out of their salvation. "If God will not override man's free will, how can it be lawful for any mere man or collective to do so?" The public authority, they concluded, has no other function than to defend the life and liberty of all men alike.

But even a good answer to the right sort of question may become an embalmed impediment to further questioning. Thinking they had the right answer once and for all, men ceased to ask the proper questions – with the result that the old answers lost almost everything but their labels. Look what has happened to "liberalism"!

Thus it is imperative that we start again to ask the right questions; about human nature, about man's place in the universe as well as in society, about government and the nature of human liberty. This Pierre Goodrich does in his usual trenchant and penetrating way in his Mont Pelerin paper, *Why Liberty?* A copy of this timely message, a 15-page reprint, may be had for the asking. Write to the Foundation for Economic Education, Irvington-on-Hudson, N. Y. EDMUND A. OPITZ

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MEMO ON PRIVATE ENTERPRISE

No. 7 in a series

An Editorial Comment Reprinted from
the Portland, Ind., Graphic, February 26, 1959

THURSDAY MORNING QUARTERBACK

A good friend of ours, an executive in a merchandising firm, is continually reminding us about the dangers of government in business. "This country is headed for disaster unless the people wake up to the fact that you cannot turn to government for a solution to social and economic problems," he asserts. "And it's up to you editors to straighten them out, by plugging free enterprise."

Recently we called on him in his office. We found him in an ugly mood. Seems he had discovered the shipping department using Railway Express for shipment of merchandise.

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"But look," we said, "don't you know why Parcel Post is cheaper? It is a subsidized service, operated at a loss by the Post Office department, or so the boys in Washington tell us. Seems to me this puts you in an untenable position — patronizing a government service at the expense of a fellow free enterprise operation, the Railway Express."

He glared at us. "Oh go to hell," he replied. "You newspaper guys are all alike. You don't understand the problems of industry."

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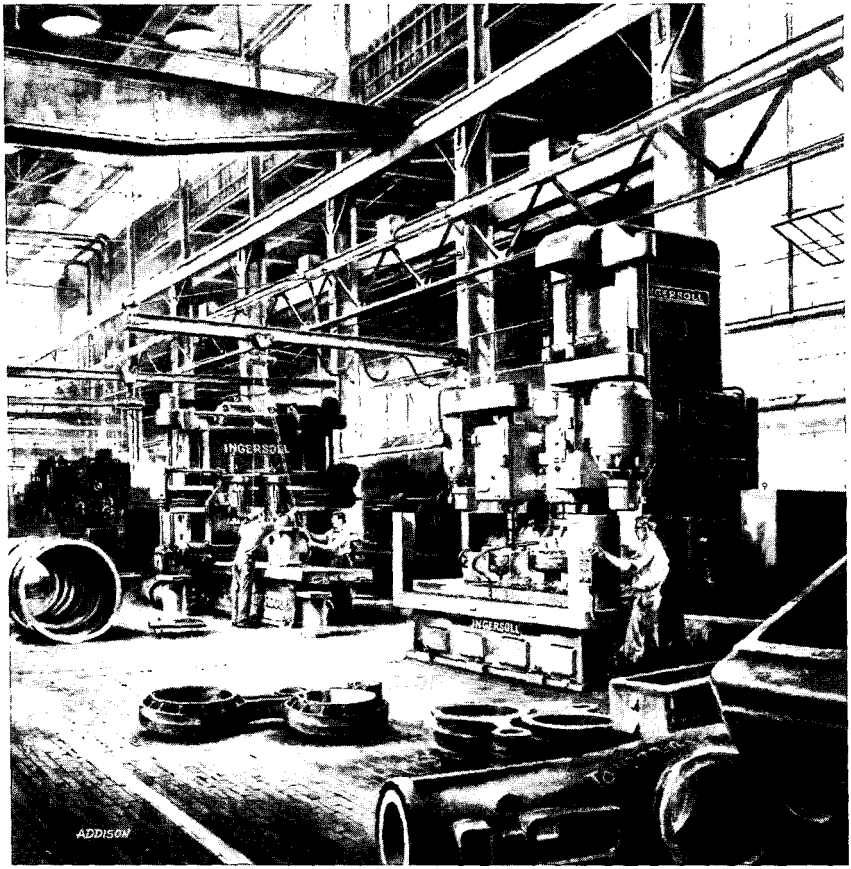

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WHEN THE LAW, by means of its necessary agent, force, imposes upon men a regulation of labor, a method or a subject of education, a religious faith or creed – then the law is no longer negative; it acts positively upon people. It substitutes the will of the legislator for their own wills; the initiative of the legislator for their own initiatives. When this happens, the people no longer need to discuss, to compare, to plan ahead; the law does all this for them. Intelligence becomes a useless prop for the people; they cease to be men; they lose their personality, their liberty, their property.

Try to imagine a regulation of labor imposed by force that is not a violation of liberty; a transfer of wealth imposed by force that is not a violation of property. If you cannot reconcile these contradictions, then you must conclude that the law cannot organize labor and industry without organizing injustice.

A selection from *The Law* by Frederic Bastiat, 1850. Translated by Dean Russell. Irvington-on-Hudson, N. Y.: Foundation for Economic Education. 76 pp. 65¢ paper-bound, $1.25 clothbound.

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